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Industrial Development Board

Twenty-first session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 23 June 1999, at 3 p.m.

Temporary President: Mr. PITTALUGA FONSECA (Uruguay)
President: Mr. REGUIEG (Algeria)

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)
6 Financing of the integrated technical cooperation programmes in developing countries)

The meeting was called to order at 3.15 p.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-first session of the Industrial Development Board.

2. He thanked the members of the Board for their support during his term of office and commended the Secretariat for its excellent work. In particular, the Director-General had performed outstanding service in the short period since his appointment and laid the foundations for a successful future for the Organization. The Board had weighty matters to consider, matters which were vital to the future work of UNIDO. He hoped that the Board would be able to approve the draft decisions that had been prepared.

ELECTION OF OFFICERS

3. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. M. Reguieg (Algeria) for the post of President; Mr. R. Nazaraharı (Islamic Republic of Iran), Mr. Y. Yakıs (Turkey) and Mr. A. Fabijanski (Poland) for the posts of Vice-President; and Ms. P. Klein Ballesteros (Colombia) for the post of Rapporteur.

4. *The candidates were elected by acclamation.*

5. *The President took the Chair.*

6. **The PRESIDENT** thanked the outgoing President of the Board for the work he had so ably accomplished during his term of office. In less than two years since the adoption of the Business Plan on the Future Role and Functions of UNIDO, major reforms had taken place, proving that the Organization could not only survive, but could also evolve and play a significant role in attaining the goals set by Member States. While that progress was gratifying, the fact remained that the Organization's capacity to meet the challenges of the twenty-first century would largely depend on availability of resources. Bearing in mind that UNIDO's difficult situation was due primarily to the substantial budget cuts made during previous bienniums, the Board would naturally focus its deliberations on mobilization of funds. It was therefore regrettable that the Programme and Budget Committee had not been able, at its last session, to take a decision on the budget for the biennium 2000-2001. He hoped that, with a constructive approach and a spirit of cooperation and compromise, the Board would be able to overcome the difficulties that had arisen and reach a consensus solution on the budget question.

ADOPTION OF THE AGENDA (IDB.21/1 and Add.1; IDB.21/CRP.8)

7. **The PRESIDENT** said that the provisional agenda (IDB.21/1) was based on that adopted by the Board in decision IDB.20/Dec.11 (see document GC.8/3). In addition, it included an item 4 (j) on implications of the euro for UNIDO, referred to the Board by the Programme and Budget Committee at its fifteenth session, and an item on the financing of the integrated technical cooperation programmes in developing countries (item 6), included at the request of the Group of 77 and China in accordance with rules 11 and 12 of the rules of procedure.

8. *The provisional agenda (IDB.21/1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

9. **Mr. MAGARIÑOS** (Director-General) said that he hoped that the twenty-first session of the Board would prove a turning point—a time when Member States focused on the financial support required for future programming and, instead of worrying about UNIDO's immediate prospects, could again consider its medium- and long-term role in the field of sustainable development.

10. The Business Plan on the Future Role and Functions of UNIDO, adopted by the General Conference at its seventh session, established the basis for the survival of the Organization. For its implementation, a three-phase approach was envisaged: financial, personnel, administrative and structural reform; the development of 16 service modules; and the formulation of a set of demand-oriented country programmes. The operationalization of the integrated country programmes still remained to be developed.

11. By the end of 1999, some 40 integrated country programmes would have been prepared, reflecting an unprecedented single-minded effort to provide a new approach to technical cooperation with built-in value-for-money guarantees. Twenty-five of those programmes, with a total value of US$ 165 million, were ready, and seven already operational. In line with the Business Plan priorities, fifteen were for African countries. A third of the programmes involved least developed countries; all but one of the programmes covered the agro-industry sector, and all but two were concerned with environmental matters. Fifteen to seventeen per cent related to small and medium-sized enterprise (SME) development, enhancement of quality and improvement of the environment. It was now up to the Member States, working with the Secretariat, to mobilize the necessary funds.

12. Economic thinking was changing. It had already changed many times in response to the radical changes that had taken place in society during the twentieth century, and at the end of the century it would have to change again to meet the challenges of globalization, global governance and information technologies. The new focus of development economics was on underdevelopment and the disequilibrium suffered by most developing countries—particularly the causes of their poverty. The number of people below a poverty line of $4 a day had risen between 1989 and the mid-1990s by 133 million. In 60 developing countries, personal consumption had been declining by 1 per cent a year. Sixty per cent of the world's population lacked basic sanitation, 25 per cent lacked adequate housing and 20 per cent were undernourished.

13. The solution was to bring about sustainable employment throughout the developing world. It had now been agreed that inflation control and free market regimes were a prerequisite for development. In the future, the focus should be on employment and benefit distribution. UNIDO should play an active part, but that would mean developing the links between innovation, technology, sustainable industrial employment and sustainable employment in other sectors.

14. Industry was intimately involved in the economic structure of underdevelopment—from the scarcity of investment capital to the underutilization of resources and the phenomena confining most developing countries to the primary sector. Even in a country such as Ghana, which had adopted orthodox development prescriptions and created a liberal economy, manufacturing had not taken off and foreign investment had not responded adequately.

15. The recent decision by the Group of Seven and Russia to cut billions of dollars from the debt burdens of the world's poorest countries would enable them to correct their chronic under-investment in social and economic programmes and remove a major obstacle to their development of a private industrial sector. The decision of the same group of countries that the Interim Committee of the International Monetary Fund (IMF) should become an International Economic and Financial Committee with a membership including emerging market nations also represented a major step.

16. More, however, was needed than mere restructuring of the world's financial system. UNIDO, in its global forum function, should isolate the various factors with an influence on industry and develop feasible strategies to allow Governments, industry and the multilateral system to provide remedies. It could thus play its role in global

governance. Member States also had a part to play, both in the policy-making organs and through active participation in forums and seminars arranged by the Secretariat. The Secretariat itself needed to pursue a variety of mechanisms that would enhance the Organization's global forum function.

17. He would like to seek views on the major theme for the global forum for the next two years, namely the nature of the next industrial development paradigm. By directing UNIDO along that path, Member States would demonstrate their faith in the need for good industrial governance as a fundamental of development. Such a step would call for new levels of capability in global analysis, strategy and policy development. Member States would need to make UNIDO their instrument for helping developing countries and those in transition to participate in the new paradigm, and ensure that UNIDO became what some developing countries had always wished it to be: the centre of excellence and the first port of call for advice. In that connection, he proposed to revitalize UNIDO's research function; research would underpin all the global forum activities.

18. UNIDO was first and foremost, and would remain, a "doing" organization, enhancing industrial practice to raise standards of living. But there was still a need for critical reflection on what one was doing. Research was a stimulus to action and a defence against pseudo-scientific opinion exemplified by statements that services, not industry, generated employment, that industrial development could be left entirely to market forces and that industrial imports from the South destroyed jobs in the North.

19. The pace and scope of change at the present time resulted in a tendency to focus on short-term issues, at the expense of long-term goals. However, it was difficult, if not impossible, to build the future without a modicum of stability and assurance. He therefore urged Member States to support the Secretariat both by contributing to the substantive debates and by making the necessary resources available. UNIDO was at a critical juncture in its transformation process. Member States and the Secretariat had worked hard in the previous two years to re-engineer the Organization and prepare it for the future. Without adequate funding, specifically for the integrated technical cooperation programmes, all that work would have been in vain.

PRESENTATIONS

20. **Mr. MAIZZA NETO** (Director, Executive Office) gave an audio-visual presentation on the operation of the integrated technical cooperation programmes.

21. **Ms. SANCHEZ OSUNA, Mr. EISA, Mr. GOONATILAKE, Ms. FUJINO and Mr. PRUIM** (Secretariat) provided information on programming missions to Guatemala, Mozambique, Sri Lanka, Rwanda and the United Republic of Tanzania.

ORGANIZATION OF WORK

22. **The PRESIDENT** proposed that the Board once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings where substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no member of the Board objected. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

23. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1998 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.21/10, IDB.21/11, IDB.21/12)

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.21/14)

(a) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (IDB.21/9, IDB.21/11, IDB.21/12)

(b) PROGRAMME AND BUDGETS, 2000-2001 (IDB.21/7; IDB.21/CRP.6)

(c) MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003 (IDB.21/13; IDB.21/CRP.7)

(d) SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES (IDB.21/3)

(e) WORKING CAPITAL FUND FOR THE BIENNIUM 2000-2001 (IDB.21/2)

(f) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (IDB.21/8)

(g) FINANCIAL SITUATION OF UNIDO (IDB.21/4; IDB.21/CRP.1, CRP.5)

(h) COST-SHARING ISSUES WITH VIC-BASED ORGANIZATIONS (IDB.21/5)

(i) PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR (IDB.21/6; PBC.15/CRP.2)

(j) IMPLICATIONS OF THE EURO FOR UNIDO (IDB.21/29)

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (IDB.21/15, IDB.21/18 and Add.1, IDB.21/20, IDB.21/21, IDB.21/23, IDB.21/26 and Corr.1, IDB.21/27; IDB.21/CRP.7)

FINANCING OF THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES (IDB.21/17; IDB.21/CRP.4)

24. **Mr. TIWARI** (India), speaking on behalf of the Group of 77 and China, said that the Group had noted from the Annual Report of UNIDO for 1998 (IDB.21/10) that that year had one of the lowest project output showings in the recent past. That poor performance was not unrelated to the restructuring and the decline in voluntary contributions, but it was to be hoped that the trend would be reversed and that more voluntary funding would be found. The Group urged the donor community to recognize that, having undergone the painful and unprecedented transformation required of it, the Organization now needed voluntary funding to enable development projects to go ahead. Noting that the Annual Report contained some duplication of information, the Group called upon the Secretariat to review its format so as to make it more user-friendly.

25. On the report of the Programme and Budget Committee, the Group hoped that the consultations currently under way would result in the recommendation of a zero real growth budget for approval by the eighth session of the General Conference. In that connection, it called upon all Member States to pay their arrears and their assessed contributions in full and on time. In order for the Organization to be viable, adequate financial resources must be provided, and any further reduction in its budget would have a serious impact on its ability to provide the services outlined in the budget proposal submitted to the Programme and Budget Committee by the Director-General, which the Group supported and which, indeed, had to some extent fallen short of its expectations. Future budgets should be elaborated according to a programmatic approach, focusing on the activities to be implemented, rather than on the budget ceiling. As to the appointment of an External Auditor, it would be consistent with the principle of geographical rotation for the next External Auditor to be from a country belonging to the Group of 77 and China.

26. With regard to the "Programmatic review, including system-wide issues" (agenda item 5), the Group noted with satisfaction the Director-General's implementation of General Conference resolution GC.7/Res.1 on the policy framework of UNIDO and the Business Plan. In that connection, it again noted some duplication in the reporting of implementation on a country basis. It called upon all Member States and the donor community to participate actively in the Conference on Industrial Partnership and Investment in Africa to be held in Dakar, Senegal, on 20 and 21 October 1999.

27. Agenda item 6, "Financing of the integrated technical cooperation programmes in developing countries", had been included on the agenda at the instance of the Group of 77 and China. There had been a steady decline in voluntary contributions to the programmes, and only six per cent of the budget was earmarked for technical cooperation. The Group therefore urged the Board and Member States to support the establishment of an open-ended, ad hoc informal working group to study all aspects of that issue, as called for in a draft resolution being submitted for consideration at the current session. The Group also noted the Director-General's report on preparations for the eighth session of the General Conference and the new innovative format for the Conference proposed therein.

28. The Group of 77 and China stressed the need for the Organization to apply the principle of equitable geographical distribution in personnel policy, particularly at the Professional level, and also strongly supported gender balance at all levels of the Secretariat, and particularly at Director level, consistent with the practice of other organizations of the United Nations system. It was satisfied with the progress made with regard to field representation, but called upon the Secretariat to coordinate closely with Member States with regard to the establishment of subregional offices, on the basis of objective criteria and an agreed ost-sharing ratio. It

welcomed the assurances from the Secretariat that consultations with Member States on that question would continue.

29. Lastly, he wished to express the Group's gratitude to the Director-General for providing it with two staff members, office premises and logistic support. The Group of 77 (G-77) Vienna Chapter now had its own home page, directly linked to the Group's New York website and regularly updated. The Vienna Chapter was the first G-77 Chapter after New York to have its own website.

30. **Ms. ALEMAYEHU** (Observer for Ethiopia), speaking on behalf of the African Group, expressed the Group's concern that the Programme and Budget Committee at its fifteenth session had been unable to decide on the programme and budgets proposed by the Director-General for the biennium 2000-2001. The Group considered that the preparation of UNIDO's budget should start with a thorough evaluation of the programmes and that the financial resources required to implement them, reflecting the priorities defined by Member States, should then be determined. However, the debate had focused on the options of zero real growth and zero nominal growth ceilings, which had prevented the budget recommendations from being adopted. Further savings on the UNIDO budget might impair the Organization's activities. The African Group therefore hoped that the consultations under way would ensure that the Organization was provided with sufficient resources to fulfil its mandate. The African Group firmly believed that a decision should be taken on the programme and budgets for the 2000-2001 biennium at the current session of the Board.

31. Turning to agenda item 5, she said that the African Group had examined with keen interest the Director-General's report on the implementation of the Business Plan in Africa (IDB.21/18). The priorities and needs of the African countries as identified in the Plan of Action for the Alliance for Africa's Industrialization and the United Nations Development Framework (UNDAF) should remain UNIDO's guiding principles.

32. The Government of Senegal had indicated its readiness to host the Conference on Industrial Partnerships and Investment in Africa at Dakar on 20-21 October 1999, in conjunction with the fourteenth meeting of the Conference of African Ministries of Industry. That Conference would address issues of concern on industrialization in Africa and mobilize resources for financing technical cooperation programmes. The African Group therefore called upon all Member States and donor countries and the communities of businessmen to participate actively in the Conference.

33. Regarding agenda item 6 ("Financing of the integrated technical cooperation programmes in developing countries"), the Group had been following with great interest the efforts to develop the integrated programmes which had started in September 1998. It was expected that by the end of 1999 a total of 27 integrated programmes for Africa would be finalized but the Group was concerned that, without further efforts to mobilize funds, the programmes would remain laudable ideas on paper. There had already been a decline in voluntary contributions to the Industrial Development Fund (IDF), and funds for technical cooperation were insufficient to finance the integrated programmes, which were valued at over $50 million, compared with available resources of some $5 million. Since the technical cooperation programmes would make an immense contribution to the industrialization efforts of the African countries, all possible avenues should be explored to ensure the availability of adequate financial resources for technical cooperation. The Group supported the establishment of an ad hoc working group to address that matter.

34. On the question of field representation, she said that the Group was convinced that effective and well-staffed field offices were essential to the industrialization process in Africa. However, flexibility was required in addressing the question of establishing field offices in some countries on the basis of a 100 per cent contribution to coverage of local costs by host countries.

35. The Group called upon the Director-General to consider the possibility of increasing the numbers of both regional and country UNIDO offices.

36. **Mr. BORCHARD** (Germany), speaking on behalf of the European Union, together with Bulgaria, Cyprus, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, congratulated the Director-General and his staff on their enduring commitment to a substantial reform of the Organization. The Annual Report for 1998 showed that UNIDO was beginning to make an important and positive impact on the lives of people in the developing world. The European Union recognized those developments and the effective implementation of the Business Plan.

37. The Union was glad to note that UNIDO had strengthened its cooperation with other United Nations bodies and that memoranda of understanding had been signed with the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the United Nations Conference on Trade and Development (UNCTAD). A progress report on implementation of those agreements would be welcome. The

Union also appreciated UNIDO's active involvement in the UNDAF process under which UNIDO representatives in the field would serve as focal points. UNIDO should present an assessment of the UNDAF pilot project. The Union encouraged the Organization to strengthen its efforts for integration into the growing network of "UN Houses".

38. The development of service modules was an important step in implementation of the Business Plan. Such modules would act as components of future projects and programmes tailored to specific country needs. The Union was confident that experience gained in the implementation of the six integrated programmes would be reflected in the ongoing review and development process.

39. The successful implementation of integrated programmes depended on substantial voluntary funding, which the Union hoped would be forthcoming. Success also depended on the real commitment of recipient countries to contributing to the positive outcome of such programmes. The European Union supported UNIDO's intention to attract financing, *inter alia*, from UNDP and the private sector.

40. The Union's position regarding the draft programme and budgets for the biennium 2000-2001 was unchanged. It noted conclusion 99/4 of the Programme and Budget Committee, adopted by consensus, and reiterated the wish that the budget be approved by consensus.

41. The European Union looked forward to a further deliberation of its proposal that the budget and the accounting system be based solely on the euro, starting from 1 January 2002. It was hoped that a common approach would be found at the current session of the Board on the next steps to be taken, so that the General Conference could take the relevant decision in time.

42. The Union could not fail to stress that the Organization continued to suffer from the failure of its Member States to pay their assessed contributions in full and on time. At the end of 1998, UNIDO had received only 82.6 per cent of annual assessed contributions, while arrears stood at $106 million. All Member States, former and present, should pay their arrears and assessed contributions promptly, in full and unconditionally. UNIDO could attain significant financial flexibility by implementing 100 per cent of a budget if assessed contributions were paid in full and on time.

43. On field representation, the Union welcomed the continued efforts towards effective decentralization of financial and human resources to the field, the redefinition of field offices and the delegation of administrative and financial authority. Efficient field offices were important in fostering contacts with partners in recipient countries and with other bilateral and multilateral partners, especially when financial support was sought for new integrated programmes. That would enable potential donors to follow the development programmes and would help to enhance coordination and cooperation between them.

44. The European Union noted UNIDO's commitment to designing and using performance indicators, which would be an important tool for improving UNIDO's performance.

45. With respect to administrative matters, the Union welcomed the identification of a gender focal point within UNIDO to deal with gender mainstreaming in operational activities and the gender balance in the Secretariat. It was gratifying to note that action was being taken with regard to the under-representation of women at the senior levels of the Organization. The Director-General should explain what steps were currently being taken.

46. The European Union assured the Board of its active commitment to the Organization. It appreciated the efforts made by the Director-General and his staff, as a result of which UNIDO could play an important role in overcoming development obstacles and in the integration of developing countries into global economy processes. All Member States should continue to support UNIDO and work towards ensuring its increasing effectiveness.

47. **Mr. IKEDA** (Japan), referring to the budget for the next biennium, said that his country's basic position on the budgets of all organizations within the United Nations system was in favour of a zero nominal growth budget. Further savings by UNIDO, as agreed at the last session of the Programme and Budget Committee, were thus essential. In relation to the regular budget, a substantial amount of the budget remained unutilized owing to the loss of revenue resulting from outstanding assessed contributions. The amount of unutilized funds had risen from $8.7 million in 1992-1993 to $37.8 million in 1996-1997, representing ten times the recosting amount from the 1998-1999 budget to the 2000-2001 budget, or the difference between the zero nominal growth budget and the zero real growth budget. It was thus regrettable that the recommendations of the open-ended discussion group on timely payment of assessed contributions had generated a mere $3.4 million out of the $30 million outstanding. The time had come to take due account, when determining the allocation of resources for the implementation of projects, of the extent to which Member States had paid their assessed contributions. In that regard, the Russian Federation was to be commended for recently paying in

full its outstanding assessed contributions for 1997 and for part of 1998. Other Member States that had not yet paid their assessed contributions should do so without further delay.

48. The Government of Japan welcomed the efforts made by the Secretariat in preparing the integrated programmes on the basis of the Business Plan. His Government's basic position on the integrated programmes was that, following the programmatic reform, the top priority was to raise funding for the integrated programmes and implement them. Funding such large programmes was no easy task, and a realistic methodology must be found. One possibility would be a co-funding system among interested donor countries. Further consultations were needed in that regard.

49. His Government accorded particular importance to the industrial development of small and medium-sized enterprises in Africa, and had been consulting with the Secretariat with regard to the possible funding of certain components of integrated programmes. Having carefully studied the programmes proposed by the Secretariat, the Government of Japan was now arranging for several million dollars in funding for integrated programmes in African countries to be made available by a Japanese trust fund for the development of small and medium-sized enterprises. Those projects incorporated both multilateral organizational cooperation by UNIDO and bilateral assistance from Japan.

50. On the initiative of the delegation of Japan, the Board had called for collective dialogue between Member States and the Secretariat on programmatic issues (see decision IDB.19/Dec.2 in document GC.8/2). The Secretariat was inviting donor countries to participate in the formulation of integrated programmes in 16 countries. That initiative would help UNIDO formulate more effective projects in consultation with the Governments concerned, taking into account the needs and intentions of donor countries. UNIDO should make every effort to formulate projects as effectively as possible by involving its field officers, embassies of donor countries in the recipient countries and bilateral aid organizations.

51. Lastly, his Government, which had hosted the Second Tokyo International Conference on African Development (TICAD II) in October 1998, intended to give strong support to the Conference on Industrial Partnership and Investment in Africa to be held in Dakar, Senegal, in October 1999, under the auspices of UNIDO, the African Development Bank (ADB), the United Nations Economic Commission for Africa (ECA) and the Organization of African Unity (OAU).

52. **Ms. FREUDENSCHUSS-REICHL** (Austria) fully associated herself with the statement made by Germany on behalf of the European Union. She thanked the Director-General for his introductory statement and shared his position regarding the importance of the current session of the Board.

53. In her view, the administrative and programmatic reforms had been completed very successfully, for which she congratulated the Director-General and his staff.

54. The more difficult task of proving the reliability of the Organization had yet to be accomplished. The decisive question would be whether the new integrated programmes would attract sufficient funding and be implemented in the field.

55. Austria would very carefully study the package of integrated programmes and would seek to bear in mind as far as possible the approach outlined by the Director-General, namely that a sufficient amount of contributions should be allocated to the general-purpose segment and that framework contributions—with geographical or thematic focus—should be considered.

56. She announced that 14.5 million Austrian schillings were budgeted by the Austrian Department for Multilateral Development Cooperation for voluntary contributions to UNIDO.

57. Austria would seek to capitalize on possibilities for bi-multilateral cooperation. She would provide further information on possible cooperation endeavours as soon as possible.

58. She hoped that the Board would give a strong sign of encouragement to UNIDO and pave the way for a successful General Conference session later in the year.

59. **Mr. AL-DIN** (Syrian Arab Republic) said that a question of particular concern to the Member States was the transformation of UNIDO in response to the Business Plan and the service modules. Reforms in the administrative field had to be supported by conditions propitious to the improvement of programme performance and to strengthening the effectiveness of the integrated programmes. He supported the Director-General's approach to that question, based on a long-term strategic vision for the development of the industrial sector in line with the needs of the countries concerned.

60. He welcomed the proposal to send a UNIDO mission to Syria in order to develop an integrated programme for the development of Syrian industry. However, it was

important to guarantee the necessary resources for the implementation of such programmes; the resources must be available before and during the formulation and implementation of the programmes.

61. The best guarantee for success of the integrated programmes lay in provision of the necessary financial resources, so that a twofold strategy had to be followed. Projects must be prepared and, and at the same time, efforts must be made to mobilize the necessary funds. It was therefore more than ever necessary that Member States pay arrears of contributions and commit themselves to paying their statutory contributions in good time.

62. His Government attached great importance to strengthening UNIDO's role and to giving it the means to perform its task. His Government was committed to cooperating with UNIDO in expanding its field of activities, and appreciated the level of cooperation between UNIDO and Syria. UNIDO's project in Syria was one of the largest in the region, but there had recently been a decline in its funding. His Government was determined to pursue the policy of developing the industrial sector in Syria in order to meet the needs of the national market and the country's export aims.

63. He noted the recent decline in the level of project approval. Particular importance should be attached to economic coordination and industrial cooperation among countries—for example, in the context of the establishment of a free trade area in the Arab region. Particular attention should be devoted to the exchange of technological information to further the development of SMEs.

64. National and regional offices of UNIDO should be strengthened so that they could play their full part, on the basis of decentralization in programming and project execution.

65. He expressed his appreciation of the work done by UNIDO's office in Beirut in recent years. His delegation was prepared to discuss with UNIDO ways and means of extending UNIDO's work in the Arab world and overcoming existing difficulties.

66. **Mr. BAN Ki-moon** (Republic of Korea), speaking on behalf of the Asian Group, said that, if the integrated programmes for the developing countries were to have a significant impact, more resources would be needed to finance them. In view of the decline in the delivery of technical cooperation and in operational budget income, the Group wished to encourage Member States to make payments on time and recommended that all should join the programme for distributing to eligible integrated programmes any interest income earned in excess of the budgetary estimates for 1999 and previous years.

67. He welcomed the Director-General's proposals for ensuring the efficient utilization of the budget for the biennium 2000-2001. Inadequate funding would immobilize the Organization's provision of assistance to developing countries. The Group believed that UNIDO should be spared any further budgetary cuts, since any further curtailment was bound to impair its functioning. The Asian Group fully supported the Director-General's current budget proposals and the principle of zero real growth.

68. In resolution GC.7/Res.3 the General Conference had emphasized the importance of the human dimension in industrial development projects, and had noted the increasing demand from developing countries for capacity-building in human resources development. The Group agreed with the view expressed in document IDB.21/23 (paragraph 8) that industrial human resources development was a subject worthy of systematic analysis and that a high-level research capacity was needed within UNIDO to specifically address policy issues. The Group suggested that some resources should be allocated to such analysis.

69. The seven integrated packages of services initiated in 1998 amounted, according to the Annual Report (IDB.21/10), to almost $30 million, around half of UNIDO's total technical cooperation in 1998. Those packages of services needed to be refined and extended to other developing regions. A concerted effort should be made to introduce sustainable integrated programmes for the Asian region and to seek adequate funding for them. In that regard, the Asian Group supported the position of the Group of 77 and China.

70. The Group welcomed the efforts of the Secretariat and the Director-General to consolidate the UNIDO field programme in line with the Business Plan. Decentralization was necessary to make the Organization more demand-oriented, bring its services closer to its clients, ensure effective programming of technical cooperation at country level and deliver technical cooperation services in timely fashion with greater impact. It was also important to eliminate internal and external overlaps and duplication of activities with those of other agencies.

71. The Board had been informed by the Secretariat that, within the existing approved 30 offices, five were earmarked for conversion to regional offices. The Group welcomed the policy of consultations with Member States

and called upon the Secretariat to coordinate its policy with Member States based on objective criteria and an agreed cost-sharing ratio.

72. The Secretariat must take into account the principle of equitable geographical distribution in UNIDO's employment procedures, in accordance with its Constitution. The Organization would thus strengthen its universal character and be better placed to face the challenges of the next century.

73. With regard to the new staff appointment policy, designed to simplify and equalize the treatment of the staff, he said that some degree of job security was still needed even though monetary employment conditions were limited by budget constraints. UNIDO should avoid converting Professional staff into administrative staff.

74. In its conclusion 99/8, the Programme and Budget Committee had recommended that the Board propose to the General Conference the appointment of an External Auditor for a period of two years from 1 July 2000. The member States of the Asian Group fully supported the candidature of Mr. Manzur Hussain, Auditor-General of Pakistan.

The meeting rose at 6.05 p.m.

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Industrial Development Board

Twenty-first session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 24 June 1999, at 10 a.m.

President: Mr. REGUIEG (Algeria)

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The meeting was called to order at 10.40 a.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau had decided to recommend to the Board that it follow the practice established at previous sessions—namely, hold informal in-session consultations to facilitate the drafting of consensus decisions. All members of the Board were urged to participate in the consultations. Any texts of draft decisions should be submitted to him as soon as possible, before being submitted to the informal consultations. The deadline set for their submission was 3 p.m. that day.

2. The Bureau had also recommended that Mr. Y. Yakis, Vice-President, should chair the consultation meetings.

3. In view of the time constraints, the Bureau had agreed that draft decisions could be discussed in the informal consultations before the consideration of the related items had been taken up in the plenary.

4. If he heard no objection, he would take it that the Board agreed to those procedures.

5. *It was so decided.*

6. **The PRESIDENT** said that, with regard to agenda item 10 concerning matters related to intergovernmental, non-governmental, governmental and other organizations, the Bureau recommended that, as in the past, it should itself examine applications from intergovernmental and non-governmental organizations for relationship agreements or consultative status with UNIDO and come up with recommendations that would be submitted directly to the plenary in the form of a draft decision.

7. *It was so decided.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.21/14):

(a) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (*continued*) (IDB.21/9, IDB.21/11, IDB.21/12)

(b) PROGRAMME AND BUDGETS, 2000-2001 (*continued*) (IDB.21/7; IDB.21/CRP.6)

(c) MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003 (*continued*) (IDB.21/13; IDB.21/CRP.7)

(d) SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES (*continued*) (IDB.21/3)

(e) WORKING CAPITAL FUND FOR THE BIENNIUM 2000-2001 (*continued*) (IDB.21/2)

(f) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (*continued*) (IDB.21/8)

(g) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.21/4; IDB.21/CRP.1, CRP.5)

(h) COST-SHARING ISSUES WITH VIC-BASED ORGANIZATIONS (*continued*) (IDB.21/5)

(i) PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR (*continued*) (IDB.21/6; PBC.15/CRP.2)

(j) IMPLICATIONS OF THE EURO FOR UNIDO (*continued*)

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (*continued*) (IDB.21/15, IDB.21/18 and Add.1, IDB.21/20, IDB.21/21, IDB.21/23, IDB.21/26 and Corr.1, IDB.21/27; IDB.21/CRP.7)

FINANCING OF THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES (*continued*) (IDB.21/17; IDB.21/CRP.4)

8. **Mr. PERAZA** (Cuba), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that GRULAC wished to pay tribute to the work done by the Director-General in connection with the administrative reorganization of UNIDO, the programmatic refocusing directed towards support for sustainable industrial development and his promotion of the role of the Organization within the United Nations system.

9. Concerning the programme and budgets for the biennium 2000-2001, GRULAC wished to express its firm support for the proposed budget presented by the Director-General (IDB.21/7) and was aware that the budgetary estimate indicated in that document represented the minimum necessary for UNIDO's continued operation, despite the severe limitations which it implied. In that connection, he recalled General Conference decision GC.7/Dec.16, stating that "any further reductions in ... future budgets would seriously impair the capacity of UNIDO to fulfil its mandate". The danger that a further budgetary cut would jeopardize the Organization's fundamental role as an impartial global forum for the promotion of sustainable industrial development acquired greater significance in the light of the fact that the recent crises in various regions of the world were attributable to the lack of a solid development structure, especially in the industrial sector, capable of counteracting the discriminatory trend triggered by globalization and improving competitiveness in free-market economies.

10. The reductionist approach that it was sought to impose on multilateral organizations such as UNIDO, which had an inescapable responsibility to come to the aid of those who lacked the basic means of achieving even subsistence levels, aggravated the situation, particularly when the organizations concerned had undergone far-reaching changes.

11. GRULAC supported the medium-term programme framework for the period 2000-2003, as well as the Director-General's initiatives aimed at obtaining the additional funds necessary for implementation of the integrated programmes. UNIDO's transformation process must lead to the implementation of cooperation programmes for the benefit of developing countries. The Organization's ability to achieve its goals would depend on the political will of donors, as translated into adequate resources for cooperation, and on the effective implementation of programmes by the recipient countries.

12. Turning to the question of the programmatic review, he noted that integrated programmes for four countries in the Latin American and Caribbean region were already at various stages of development and that the preparatory phase was due to commence in connection with programmes for a further five countries in the region. GRULAC wished to express its great appreciation of the work undertaken by the Secretariat in identifying and preparing those programmes in consultation with the States concerned.

13. It was nevertheless a source of concern that the necessary funds were not available for actual implementation of the programmes identified, a problem which appeared to be due to the lack of a clear will on the part of donors to implement programmes in the Latin American and Caribbean region. GRULAC therefore urged the donor countries and the Secretariat to seek the funding required for those programmes, which were in line with the Business Plan and the new service modules. Failure to implement the integrated programmes in Latin America and the Caribbean for lack of funding would mean wasting resources of the Secretariat and recipient States.

14. GRULAC had decided to submit for the Board's consideration at its current session a draft decision on the application of the Business Plan in Latin America and the Caribbean, which it hoped would meet with the support of delegations. In that connection, it welcomed the inclusion of the agenda item on the financing of the integrated technical cooperation programmes in developing countries and considered it important to identify new approaches to secure such financing. GRULAC also wished to draw attention to paragraph 7 of General Assembly resolution A/53/177 concerning the search for new funding modalities for cooperation programmes.

15. Finally, GRULAC considered it important to maintain the efforts relating to the regional industrialization forums, which served as an effective means for promoting dialogue between the Secretariat and the developing countries, in the interests of sustainable industrial development. The consultations being conducted by the Secretariat with Governments from the region with the aim of organizing such a forum in Latin America and the Caribbean were greatly appreciated.

16. The **PRESIDENT** said that reports from the informal consultations currently taking place indicated that a consensus was now emerging with regard to the amount of the regular budget for the next biennium. He drew attention in that connection to document IDB.21/CRP.6, in which the Director-General discussed certain possible reductions in the regular budget as compared with his original proposal, which had been based on zero real growth. He hoped that a decision on the matter could be reached at the current session.

17. **Mr. LOSHCHININ** (Russian Federation) said that the present session was taking place at an auspicious juncture shortly after the summit meeting of the countries of the Group of Eight (G-8), at which a number of decisions of direct importance for the entire United Nations system had been taken. The process of political settlement of the Balkans conflict initiated at the summit meeting should go forward under the auspices of the United Nations on the basis of Security Council resolutions and, within its mandate, UNIDO could add its own contribution to that being made by other agencies to the restoration of industry and rehabilitation of the environment in the region. Information from the Secretariat regarding the Organization's intentions in that regard would be welcome.

18. Russia was a constant supporter and partner of the transformed UNIDO, as demonstrated by its recent substantiated payment to the regular budget, including partial payment of arrears. That financial support reflected its political and moral support for the course taken by the present management. UNIDO should be strengthened first and foremost through fuller utilization of its existing potential, a policy which was now being pursued through the joint efforts of Member States and the Secretariat. Genuine transformation of the Organization should increase its attractiveness to the donor community, thereby bringing practical results in the form of the implementation of specific programmes and projects.

19. Regarding the programme and budgets for the biennium 2000-2001, he noted that the Director-General's proposals were based on the programmatic and administrative activities of UNIDO as updated in accordance with the Business Plan and were aimed at enhancing the Organization's transparency and increasing the effectiveness of its work. Generally speaking, Russia supported the draft budget, and trusted that it would be adopted by consensus. The Secretariat's proposals for additional savings in the regular budget also deserved support and exemplified the effectiveness of collaboration between the Secretariat and Member States.

20. Regarding the new agenda item concerning the financing of the integrated technical cooperation programmes in developing countries, the mobilization of extrabudgetary resources for programmes and projects in developing countries and countries with transitional economies was vital for the Organization and for its future role and authority in the world community. It was in that light that his country viewed the proposals put forward in the note by the Director-General on funds mobilization (IDB.21/CRP.4). However, the novelty of those proposals and their possible implications were such that they would require further detailed study and discussion.

21. Russia also supported the proposal by the Director-General that donor countries should participate directly in UNIDO missions and in the elaboration of country and regional programmes, such partnership naturally being subject to agreement with the host party.

22. With regard to the matter of the introduction of a single unit of account for the Organization, his country had no objection to the proposal put forward by the European Union and was confident that an appropriate decision would be taken in that regard by the General Conference at its next session.

23. Regarding a question of cardinal importance for the current transformation process, namely that of measures to improve the quality of the staff's work, his delegation supported the ideas put forward by the Director-General in a document circulated in March 1999 in favour of a gradual shift away from the principle of a career service. Eliminating the system of permanent contracts by limiting the period of service to seven years would give the staff greater certainty regarding the length of their service, while facilitating rotation, ensuring the infusion of new blood into the Secretariat and enabling highly qualified specialists to be recruited when required. That practice could usefully be extended to other international organizations.

24. On the question of preparations for the eighth session of the General Conference, his delegation supported in principle the proposal to hold a forum on industrial development during that session, but would welcome further information from the Secretariat about its plans.

25. Lastly, he noted that the transformation of the Organization had opened up new possibilities for cooperation between Russia and UNIDO, which were of particular relevance at the present time when Russia, despite its deep financial crisis, was nevertheless moving forward confidently towards a market economy. His country placed great hopes in the cooperation programme, on which work was nearing completion, and was confident that the new integrated services, in particular, would produce tangible results.

26. **Mr. KREKLER** (Argentina) said that UNIDO had now reached a critical stage after the first 18 months under its new vigorous and able management, a stage at which the further success of the transformation process would depend on the Organization's ability to actually implement programmes and projects that helped to build up the industrial capacities of the countries most in need. Once the process of administrative reorganization had been completed, the services offered by UNIDO redesigned and

its management capacities tried and tested, the next main task would be to further the implementation of specific integrated projects and programmes presented by the Secretariat within the framework of the Organization's medium- and long-term objectives. In that regard, a genuine will to finance technical cooperation activities would be essential, together with new fund mobilization approaches and strategies.

27. His delegation welcomed the inclusion on the agenda of an item on the financing of the integrated technical cooperation programmes in developing countries and the information contained in the note by the Director-General on that subject (IDB.21/CRP.4), and hoped that the proposed debate would contribute towards the establishment of a more predictable funding system guaranteeing the investment of the human and financial resources essential for the formulation and implementation of the integrated projects and programmes.

28. His delegation supported the proposal set forth by the Director-General with regard to the programme and budgets for the biennium 2000-2001 (IDB.21/7) and hoped that the Board would bring the consultations to a successful conclusion by recommending that the General Conference approve the budget presented.

29. With regard to the financial situation of UNIDO (agenda item 4 (g)), his delegation had furnished the Secretariat with detailed information on Argentina's efforts, as part of its policy to settle its arrears with major international bodies, to pay its debt to UNIDO. Accordingly, Argentina would be in a position to settle a significant portion of its arrears within the next few weeks. His country also supported the medium-term programme framework for the period 2000-2003, as well as the Director-General's funds mobilization initiative.

30. Concerning agenda item 5 ("Programmatic review, including system-wide issues"), it was gratifying to note the progress made in the implementation of the Business Plan in the Latin American and Caribbean countries, as well as the formulation of integrated programmes for that region (IDB.21/21). Useful information was also provided in the documents on the development of human resources for industry (IDB.21/23) and on the industrialization of the least developed countries (IDB.21/15).

31. Turning to the question of field representation, his delegation welcomed the progress made in that regard and the practical steps taken to delegate authority in various areas to the field offices, and it urged the Secretariat to continue its efforts in that direction.

32. His delegation also welcomed the information set forth in document IDB.21/24 concerning performance indicators and evaluation, and wished to encourage the Secretariat to continue working towards the further improvement and application of those indicators in order to provide a means of accurately evaluating the Organization's operation and identifying areas and products where efficiency could be further improved.

33. In conclusion, he noted that the process of rescuing UNIDO from its former state had been extremely costly and that, in order to ensure that the money and efforts invested were not wasted, it was necessary to clearly map out the future that Member States desired for UNIDO and to calculate exactly how much they would be willing to invest in order to bring about that future.

34. **Mr. BENMOUSSA** (Morocco) said that in recent years UNIDO had seen its mandate narrowed and its budget and staff progressively reduced. Even the Business Plan had been converted into service modules in order to allow it to be implemented more efficiently in a situation in which the available financial means had not kept pace with the reform process. The question arose as to whether the continuing budgetary debate did not, in fact, conceal a certain scepticism regarding UNIDO's mandate and a failure of the political will that had originally motivated its creation.

35. The developing world had greater need of UNIDO today than ever before. The development of a competitive industry generating productive employment within a healthy environment was the best possible bulwark against poverty and the best means of creating an economically sound global society with minimal risks of economic and social conflict. The statistics published by the United Nations Development Programme (UNDP) in its Human Development Report for 1998 spoke eloquently of the glaring inequalities which existed in the global distribution of wealth and consumption. In the context of those imbalances and the utter deprivation suffered by the poor countries, the regular budgetary contributions offered by the rich countries were so derisory in their amounts that they failed to justify the vehemence of the budgetary discussions.

36. In some 70 countries with a combined population of almost 1 billion, levels of consumption had now fallen below their levels of 25 years previously. However, the acceleration of economic and industrial growth required to raise consumption was not taking place in many countries. The developing countries were now confronted with the strategic choice of whether to repeat the process of industrialization and growth of the last fifty years, thereby ushering in a phase of inequitable development and bequeathing massive pollution problems to future generations, or, instead, to make a technological leap with the assistance of partners and UNIDO and to opt for a pattern of growth favourable to the environment, safeguarding natural resources and generating less pollution and waste. The model of growth chosen should also be favourable to the poor by creating employment and improving access to basic social services. In other words, it should encompass the so-called "3 E's" developed by

the Director-General in connection with the 16 integrated service modules directed towards the long-term goals of sustainable industrial development—namely, competitive economy, productive employment and sound environment (see document IDB.21/10, part one, p. 12). Hence the relevance of UNIDO's mandate and the need to implement it with the greatest resolve and determination.

37. The Organization's revitalization depended on a number of remedial measures, including the provision of adequate financial resources, a strategy of decentralization to support the local implementation of tasks in developing countries and the development of human resources to strengthen expertise in the field. Those three elements, which formed the cornerstone of the Business Plan, needed to be supported constantly by the unswerving political will of Member States.

38. It was a matter of the utmost concern that the Programme and Budget Committee had not been able to recommend the budget submitted by the Secretariat to the Board. After a drastic reduction in the budget of more than one third in the course of the past five years, it was no longer possible to make further savings without imperilling the Organization's ability to fulfil its mandate. His delegation felt that the approach based on zero real or nominal growth ceilings was artificial and should be abandoned in favour of a new method which would primarily take account of programmes defined by common consent, the Secretariat's role being to evaluate the resources required for their implementation. However, although the proposed budget did not fully meet his country's expectations, it was nevertheless willing to accept it for the sake of joining the consensus emerging among Member States. In that connection, he called on all Member States, including the United States of America, to settle their contribution arrears in accordance with the recommendations of the open-ended discussion group on timely payment of assessed contributions. That was crucial to both the financial health of the Organization and to the restoration of voting rights essential to the universality of its decisions.

39. His delegation was in favour of the introduction of the euro for purposes of reference and payment within UNIDO. Regarding the new method proposed by the Director-General for mobilizing funds for the implementation of UNIDO services, his delegation felt that the proposed approach would be helpful in raising the level of so-called "voluntary" contributions and it considered that mobilization efforts would be further assisted through the creation of an informal open-ended working group with the mandate of establishing more effective strategies to that end. Such a group could draw, in particular, on the practices followed by the International Atomic Energy Agency (IAEA) with regard to their technical cooperation fund. In that connection, all Member States able to do so should follow the example of Japan and the European Union in participating in the conference on industrial partnership and investment in Africa scheduled to take place in Dakar from 20 to 22 October 1999. That conference would not only make for heightened awareness of the issues and for an exchange of ideas but would also provide an opportunity for identifying practical solutions to the development problems encountered by African countries, especially in the industrial field. It was thus to be hoped that the Dakar conference would set an example in the area of funds mobilization.

40. Africa had been the laboratory for such initiatives as the Alliance for Africa's Industrialization, the United Nations Development Assistance Framework and the two Industrial Development Decades for Africa (IDDA I and II). However, the results in the field fell far short of the continent's hopes and aspirations: for instance, the gross domestic product (GDP) of sub-Saharan Africa had been decreasing at a rate of 0.8 per cent each year for the past 20 years and both official development assistance and private capital flows to African countries had proved extremely disappointing. The lack of success in those areas was essentially due to the fact that those initiatives had been adopted without sufficient involvement of the African countries themselves and without taking account of the real needs of the region. Furthermore, the donors had not been approached in the early, preparatory phases of the programmes, with the result that both recipients and donors had succumbed to a certain apathy, which could only be countered by their active involvement and collaboration with UNIDO from the outset. In that connection, the initiative of Japan within the framework of the Second Toyko International Conference on African Development, or bilateral or multilateral cooperation in association with UNIDO in support of small and medium-sized enterprises, deserved full consideration and support.

41. With regard to the second element of the remedial package for revitalizing the Organization, namely that of raising its profile in the field, his delegation considered that its field offices should be increased in number. While the qualitative criteria set out in the Director-General's report on the subject (IDB.21/19) were indeed in line with the decentralization policy adopted by Member States, the arbitrary setting of the number of offices at 30 conflicted with that policy. Not only should that number be increased, with host countries participating on the basis of cost-sharing in accordance with the negotiated ratios, but arrangements should be devised to protect host countries from bearing the full costs of representing UNIDO, apart from the salary of the respective senior officer. Furthermore, the authority delegated to the offices should be increased.

42. Communication was also a vital element of UNIDO's presence in the field. Increased public awareness in both donor and recipient countries of the Organization's activities in the field would lead to a heightened interest in UNIDO and a greater willingness to

collaborate with it. On the basis of success stories, it should be possible to develop a communication strategy for improving the Organization's brand image, which presupposed the elaboration and application of the performance indicators approved by the General Conference at its last session.

43. The third element of the strategy for revitalizing UNIDO consisted in its human resources. The recruitment policy set out in the report on personnel matters (IDB.21/16) and on the development of human resources for industry (IDB.21/23) was innovatory in its proposals for making further budgetary savings and for improving the selection of personnel. The policy outlined additionally offered greater job security and would make for the infusion of fresh blood into the Organization. It deserved support because a staff with a stronger sense of security would be likely to perform with greater selflessness, while a policy of rotation would also make it easier to attract the most highly qualified experts.

44. On the question of the appointment of the External Auditor for the next biennium, his delegation felt that the selected candidate should be drawn from a member country of the Group of 77 or China, and considered that the Ghanaian candidate supported by the African Group offered excellent professional qualifications for the task. His delegation would nevertheless be willing to join any consensus solution adopted in the interests of the Organization.

45. **Ms. AGGREY-ORLEANS** (Ghana) said that she wished to congratulate the Director-General on the systemic changes and new work culture that he was seeking to introduce in UNIDO. As the only organization in the United Nations system responsible for industrial development, UNIDO required the unflinching support of all its Member States in order to carry out its mandate effectively. She trusted that the Business Plan would guide the transformation of the structure and procedures of the Organization in a way that would simplify its work.

46. She congratulated the Programme and Budget Committee on its report on its fifteenth session. It was crucial that Member States should continue to do their utmost to meet their financial obligations to the Organization so that UNIDO could discharge its mandate effectively. Although some Member States did not donate directly to the Industrial Development Fund, they did support UNIDO by funding the operations of regional or country offices. If more Member States did likewise they would help significantly to improve the Organization's financial situation.

47. She supported the recommendation of the Programme and Budget Committee that the level of the Working Capital Fund and the authorized purposes of the Fund for the 2000-2001 biennium should remain the same as for the 1998-1999 biennium.

48. She welcomed the appointment of a field representative to Ghana in line with UNIDO's field programme and Business Plan. Following successful consultations between Ghana and UNIDO, a UNIDO programming mission had visited Ghana in April 1999 to assist in preparing an integrated programme for the stimulation of growth and competitiveness in micro, small and medium-sized enterprises. She looked forward to support from Ghana's partners and the donor community for the resulting programmes and projects.

49. As current Chairman of the Conference of African Ministers of Industry (CAMI), Ghana welcomed UNIDO's efforts to spearhead the execution of the objectives of the Alliance for Africa's Industrialization (AAI). During Ghana's chairmanship of CAMI, a number of important events had taken place including the First Bureau Meeting in Vienna, sponsored by UNIDO, the Economic Commission for Africa (ECA) and the Organization of African Unity, in December 1997, and the First Steering Committee Meeting in Abidjan in September 1998. The conference on industrial partnership and investment in Africa, which aimed to mobilize funds for AAI and to initiate a series of partnerships between the international community and all actors in industrialization in Africa, was scheduled to take place concurrently with the fourteenth session of CAMI in Senegal in October 1999. A preparatory meeting of the CAMI Bureau had been scheduled for August 1999 in Ghana, to which African ministers of industry, intergovernmental and non-governmental organizations, organizations of the United Nations system and private-sector organizations, among others, had been invited. She counted on the usual support and cooperation of all to make CAMI-14 another success in Africa's industrialization effort.

50. Turning to the proposals for the appointment of an external auditor, she said that Ghana had submitted the candidature of its Auditor-General for the post in the firm conviction that he possessed the qualifications, skill and experience to discharge the functions of the position with distinction, and she thanked all the Member States who had supported his candidature. However, in view of the importance it attached to the post, Ghana was willing to withdraw its candidate in the wider interests of the Organization and in order to facilitate consensus-building. She hoped that Ghana's gesture would facilitate a speedy decision and that it would be reciprocated in the future.

51. The new millennium held both opportunities and challenges. It was therefore imperative that all Member States should work together for the industrialization of the developing and least developed countries to eradicate poverty and promote sustained growth and development

for the benefit of all. Amid the ever-increasing interdependence of States, it was her belief that UNIDO had the capacity and capability to rise to those challenges.

52. **The PRESIDENT** said he was sure he could speak on behalf of all the Member States in expressing his appreciation for the flexibility and spirit of compromise shown by the decision to withdraw the Ghanaian candidate for the post of External Auditor, a candidate whose professional qualifications and experience were undisputed.

53. **Mr. HONIG** (Hungary) said that the first part of 1999 had shown that recent developments in the Organization and the creation of the integrated programme package with service modules had opened new possibilities in providing assistance to the economies in transition and the developing countries. He hoped that the new approach would strengthen UNIDO's existing capacity and sharpen the focus of its services.

54. His delegation welcomed the content and format of the proposed programme and budgets for the biennium 2000-2001. While he had hoped for an increase in available resources in that biennium, he recognized the budgetary constraints of all Member States. A reduction of UNIDO's budget would send the wrong signal to both the developing world and other agencies yet to be reformed. He therefore supported the original budget proposal, representing zero real growth.

55. His Government strongly supported the development of the environment industry in the economies in transition and the developing countries. The programme could encompass the development of industrial and municipal sewage treatment plants, sanitary landfills, incineration facilities and the reduction and recycling of waste material. He asked the Director-General to consider the inclusion in UNIDO's two quality modules of services in the development and implementation of regulatory quality assurance systems—in particular, good manufacturing practices in the food and health industry—in order to meet the demand for technical cooperation in those areas in many Eastern European countries in transition and in the least developed countries of Africa. Such a programme would complement the relevant activities of the Food and Agriculture Organization (FAO) and the World Health Organization (WHO). His Government intended to focus on such issues when initiating or taking part in cross-border projects in Central and Eastern Europe as an indispensable part of the process of accession to the European Union.

56. A practical example of the implementation of UNIDO's new service modules was provided by a Hungarian company which, in cooperation with a German institute, had prepared a proposal for the inclusion of instrumentation services in the development of metrology, standardization, testing and quality (MSTQ) infrastructure in the developing countries. The Hungarian Government would like to utilize the UNIDO service modules in a way that would promote cross-border cooperation between the countries of Central Europe and further the industrial development of the least developed countries.

57. **Mr. KHAIRAT** (Egypt) expressed disappointment that the Programme and Budget Committee, at its fifteenth session, had not adopted the Director-General's proposals for the programme and budgets, 2000-2001. The proposals represented a modest request in the light of UNIDO's successful transformation and reorganization and the 50 per cent cut in the Organization's budget over the preceding six years. A debate on setting a budget ceiling and on various budget cutting scenarios such as had taken place in 1997 was not desirable. He was confident that, following two months of consultations in which all the geographical regions and countries concerned had taken part, the Board, at its current session, would wish to adopt the Director-General's proposals. The core programmes highlighted in the draft budget presented in April 1999 should not be affected. Deferral of the programme and budget to the eighth session of the General Conference would take up too much of the Conference's time and might prevent proper discussion of other items on the agenda.

58. With regard to the implementation of the Business Plan in Africa (IDB.21/18), he welcomed the balance established between the various parts of the African continent. He also welcomed the forthcoming conference on industrial partnership and investment in Africa, to be held in Senegal, and hoped that it would lead to an industrial partnership between Africa and the donor countries and promote investment in Africa.

59. Commending the excellent performance of UNIDO's Arab countries programme, he welcomed the consolidation of UNIDO's representation in the Arab countries and looked forward to the successful conclusion of the negotiations on the establishment of UNIDO offices in Morocco and Tunisia. He also welcomed the increasing number of missions sent to the region to formulate integrated programmes, including the programme to strengthen industry in Palestine. He hoped the necessary resources would be available to fund the programme.

60. The financing of the integrated cooperation programmes in the developing countries was a concern of the African countries. In view of the low level of voluntary contributions, the small proportion of the regular budget allocated to technical cooperation, and a fluctuating and inadequate operational budget, additional resources were urgently needed. The relevant agenda item would provide an opportunity to discuss new ways of implementing technical cooperation projects. The Senegal meeting could provide support in that regard.

61. He urged the Organization to continue to develop its programme of regional representation, which he hoped

would be supported by financial and human resources, and reiterated his country's readiness to host a UNIDO regional office for the Arab countries by upgrading the country office in Cairo and to help shoulder any resulting burdens.

62. **The PRESIDENT** said that the President of the Staff Council had requested an opportunity to present the views of the staff for the consideration of Member States. He would give him the floor.

63. **Mr. SPINA** (President of the Staff Council) said that in 1993 the Member States had decided it was time to reform UNIDO. The departure of some 250 staff members had led to a reduction in assessed contributions, and Member States had applauded the results. The results had not, however, been applauded by the remaining staff members, as their capacity to deliver the technical assistance requested by recipient countries had also been reduced. In a similar exercise in 1995, a further 200 staff members had had to leave, further curtailing the Organization's capacity to assist the recipient countries. In 1997, the newly elected Director-General had been given a mandate to apply the Business Plan, aimed at a drastic refocusing of UNIDO's activities, and that had entailed the early departure of approximately 100 staff members. UNIDO's transformation was widely acclaimed by Member States and by the United Nations system, but reduced capacity translated into reduced assistance. Calls for still further economies would hardly receive much applause from recipient countries, and certainly not from the staff if further reductions were entailed.

64. The 16 service modules and numerous integrated country programmes reflected the Director-General's continued implementation of the Business Plan. However, they required funding that could only come from the donor community. The recipient countries had stated that they needed trade and not aid. In order to trade, they had to be able to produce exportable goods or commodities of international standard. That required an industrial base, which was why UNIDO had been established. He hoped that the Member States would approve the budget for the next biennium as proposed so that the planned technical assistance could be provided. It was the turn of the developing countries and the staff to be given a reason to applaud the accomplishments of the Board.

65. **Mr. MULUGETA** (Observer for Ethiopia) commended the Director-General on his report on the implementation of the Business Plan in Africa (IDB.21/18 and Add.1). Integrated programmes had been formulated for nine African countries in line with the priorities identified under the Plan of Action for the Alliance for Africa's Industrialization. Six other programming missions had been undertaken and 11 more were anticipated by September 1999. Ways of mobilizing resources to implement those programmes would need to be further explored.

66. His delegation welcomed the adoption of certain guiding principles, such as those concerning demand-driven programmes, local ownership of programmes and integrated application of service modules. Experience showed that the successful implementation of the integrated programmes depended first and foremost on whether ownership rested with the recipient countries. The General Assembly had emphasized in resolution 53/192 that recipient Governments had the primary responsibility for identifying priorities and for coordinating the external assistance provided by multilateral organizations in order to integrate it into their development process. Under the operational activities of the United Nations, it was imperative to develop the system of national execution, including the use of national expertise and indigenous technology in the implementation of the integrated programmes, and promote the procurement of goods and services from developing countries as a means to further South-South cooperation. The cost of supporting activities and foreign experts, which in the past had amounted to over 14 per cent of all funds available in his country alone, would thereby be reduced. However, the integrated country programmes approach, in consultation with recipient countries, also would help to secure the development needs of recipient countries and ensure implementation of the programmes. In that context, he welcomed the formulation of integrated programmes for Ethiopia and expressed his appreciation to UNIDO for its support to Ethiopia's development effort.

67. National ownership of development programmes was, however, only one side of the coin, the other being the availability of sufficient resources for implementation. The continued decline in the resources available for development in general and industrial development in particular was a source of concern, in recognition of which the General Assembly, in resolution 53/177, had emphasized the importance, for developing countries, of financing for industrial development. The cost of implementing the integrated country programmes in the first phase countries alone was estimated to be over $51 million. Yet only $5.17 million was available so far, including the Danish contribution to the Industrial Development Fund. Hence the request of the Group of 77 and China for the inclusion on the agenda of the item on "Financing of the integrated technical cooperation programmes in developing countries". He commended the Director-General on his efforts to mobilize more funds, and was confident that the conference on industrial partnership scheduled for October 1999 in Dakar would provide ample opportunity to mobilize resources for technical cooperation programmes.

68. Turning to the budget, he firmly believed that, if UNIDO was to have an impact on the development process of the developing world, the budget should be approved without delay. He called upon all the partners involved, in particular the major donor countries, to join a consensus to approve the budget at the current session of the Board.

69. **Mr. BREITER** (Switzerland) thanked the Director-General and staff for their dedicated work in a difficult period for the Organization. With regard to the programme and budget for the biennium 2000-2001, he was concerned that the proposed budget amounting to $133.3 million had failed to win consensus at the session of the Programme and Budget Committee. As stated on several occasions, his delegation regarded a 20 per cent reduction in comparison with the 1998-1999 budget as the limit. UNIDO should be trusted by Member States with implementing the results of the transformation process, and it should have the opportunity to concentrate on the implementation of the work programme within a reasonable budget, with the support of Member States. The inconclusive outcome of the fifteenth session of the Programme and Budget Committee had been a psychological blow to the staff, who must strongly feel that the downsizing exercise would never end. It also sent the wrong signal to the outside world and to other actors within the United Nations system. In his view, the main goal of the current session was to agree without delay on the budget for the 2000-2001 biennium, and his delegation was still, in principle, strongly in favour of the zero real growth budget.

70. Welcoming the discussion on the financing of integrated technical cooperation programmes as an important topic for the long-term survival of the Organization, he expressed his conviction that sufficient financial resources were vital if UNIDO was to accomplish the tasks assigned to it in the Business Plan. During recent years, however, contributions to the Industrial Development Fund (IDF) had been low. The discussion should focus, firstly, on new sources of finance for the integrated programmes. In his view, the success of the reform process would be assessed by the implementation of the service modules, and it would be measured on the basis of the quality of programmes and projects and the impact on industrialization in the target countries. The demand for UNIDO projects by Member States and other financing sources, including the private sector, might serve as another criterion of assessment. Secondly, the system of financing technical cooperation programmes should be reliable and predictable. Switzerland, a major donor to the IDF, believed that two factors were crucial to UNIDO's success in attaining its long-term objectives: strategy and appropriate financing. The strategy had been defined in the Business Plan, to which all Member States had agreed. Additional investments in the form of voluntary contributions were now essential to demonstrate commitment to the objectives of the Business Plan.

71. Turning to field representation, he said that a competent presence of UNIDO in the field was of the utmost importance to good project implementation. He had been gratified to see that authority had been delegated to the field, especially in the areas of budget and expenditure, recruitment of short-term consultants and advisory services. Close collaboration and dialogue should also be ensured with other organizations and donor coordination offices in the field.

72. He welcomed UNIDO's efforts to introduce performance indicators on several levels. The indicators to monitor the performance of the Organization as a whole should be few, in order to serve as a useful instrument for Member States to monitor the progress of the Organization. The equally important operational performance indicators, which would be applied to all UNIDO's programmes, should include objective measures to assess the impact of UNIDO's programmes on manufacturing value added, productivity, total output and exports. His delegation would be very interested to receive an oral progress report on the subject.

73. **Mr. HASSAN** (Sudan) commended the clear presentation of the Annual Report for 1998 and its in-depth analysis of UNIDO's activities and congratulated the Director-General on the results achieved with the meagre resources available to the Organization. His delegation was conscious of the critical state of industrial production in the developing countries and of the crucial role of industrial development within the sustainable development process. As a multilateral organization with an impressive record of achievements in the industrialization of developing countries and with rich experience in cooperation with the donor countries and international organizations, UNIDO was well qualified to facilitate the flow of resources needed for industrial technical cooperation. The sharp decrease in UNIDO's total expenditure on technical cooperation between 1995 and 1998, as revealed by table 1 in appendix A to the programme performance report (IDB.21/11), was highly regrettable.

74. The programmes of UNIDO were crucial, especially for the developing countries, at the current stage of preparation for the global market. He strongly urged all members to approve the budget by consensus at the current session of the Board. His delegation supported the Committee's recommendations with regard to the remaining agenda items and wished to repeat its appeal to Member States to increase their voluntary contributions to the Industrial Development Fund. Without resources, it would be practically impossible to implement the integrated programmes and other activities. As the total value of projects approved in 1998 was less than the 1997 figure, the Secretariat should intensify its efforts in programme and project development and approval.

75. The level of approval of new projects was especially low for the least developed countries. While he acknowledged that the Organization had been heavily involved in the adoption of a new approach and the elaboration of integrated programmes, he hoped that the Secretariat would now direct its efforts to technical cooperation programme development, approval and implementation, supported by increased contributions by Member States to the Industrial Development Fund.

76. The vision presented by the Director-General in part one of the Annual Report (IDB.20/10) was in line with the Board's decisions. He expressed his appreciation for the Secretariat's contribution towards achieving the goals set, despite his disappointment with regard to the financing of technical cooperation programmes.

77. In view of the importance of a sound human resources base, he felt there was a need for further steps to ensure a sharper focus on industrial human resources development and training activities in the Organization. That could include the research function proposed by the Director-General.

78. He supported the Director-General's proposals concerning the industrialization of the least developed countries. Special priority should continue to be given to the least developed countries, which faced significant challenges in participating in the global industrial production system.

79. As Africa became increasingly marginalized in the world economy, there was a need not only to reaffirm the priority accorded to it, but also to increase support to the Industrial Development Decade for Africa (IDDA) and the Alliance for Africa's Industrialization. He requested the Secretariat to present a detailed report to the General Conference, through the Industrial Development Board, on the use of IDDA resources, including an assessment of the projects and activities financed.

80. His delegation had noted with appreciation the action taken in the Arab region, especially in respect of UNIDO's presence in the region and the fielding of programming missions. He also welcomed the increasing cooperation with the organizations in the region.

81. In connection with the question of the financing of integrated technical cooperation programmes in developing countries, his Government wished to thank the Director-General for the formulation and approval of an integrated programme for the Sudan. The programme should provide a useful input to the Government's efforts to revitalize economic development policy; industry and UNIDO were expected to play important roles in that regard. His Government fully endorsed the programme and would do its utmost to work with the Secretariat to mobilize the resources required for its implementation.

82. Welcoming the efforts to redeploy resources to the field, he said that the Sudan hosted one of the UNIDO field offices. In the light of the increasing priority which his Government and the private sector were giving to industry, with the corresponding increase in UNIDO activities in the Sudan, he appealed for more resources for the office.

83. While supporting, in general, the approach to performance indicators and evaluation proposed in document IDB.21/24, he emphasized that the ultimate objective of the exercise should be to enhance the substantive work of the Organization with a view to improving its impact.

84. In conclusion, he had no objection to consultative status being granted to the eight non-governmental organizations that had applied, nor to the Director-General signing a relationship agreement with the European Bank for Reconstruction and Development.

85. **Mr. FÖRSTER** (Netherlands) associated himself with what had been said by the representative of Germany on behalf of the European Union (EU). The EU partners were fully aware of the importance of providing financial support to UNIDO's new programmes.

86. The Netherlands Government had decided to make a voluntary contribution of 1.5 million euros to UNIDO's newly developed integrated programme for Ethiopia. It was worth noting that the decision had been taken by the Netherlands Embassy in Ethiopia, in close consultation with the Ethiopian authorities, since development experts in the field had concluded that UNIDO's new approach could make a difference at local level, and that the integrated programme would help to promote sustainable industrial development. He hoped that such news would encourage the Director-General and his staff to keep up their good work and other Member States to come forward and help make the new UNIDO the success envisaged by all when adopting the Business Plan.

87. **The PRESIDENT** welcomed the encouraging announcement by the Netherlands representative. Judging by the statements made so far, it seemed that the Board was moving closer towards a consensus on the budget for the next biennium. Moreover, he had been apprised that informal consultations under way on the subject were making good progress. He expected that subsequent speakers would further strengthen that consensus.

88. **Mr. CHARRY SAMPER** (Colombia) expressed concern about the ever-widening gap between the industrialized nations and developing countries—which had gained little from globalization and technological progress—and the dwindling resources for development, apart from exceptional voluntary contributions like that of

the Netherlands. The solution to such problems was not the marginalization of the United Nations system but rather the strengthening of multilateralism together with bilateral efforts to give practical effect to the solidarity so often proclaimed. Multilateral forums could find ways of achieving common goals which would benefit the international community in a more equitable fashion. Colombia believed that UNIDO was an essential part of the United Nations system. Its Member States must provide it with greater means to perform the role provided for in Article 1 of the Constitution.

89. The transformation of the Organization was virtually complete and must be reflected in increased resources for the implementation of integrated programmes in different countries. Firstly, he endorsed the Director-General's proposals for the programme and budgets for the next biennium set out in document IDB.21/7. Any delay in approving the budget would jeopardize the Organization's finances. Furthermore, he urged Member States to show their support for UNIDO through the timely and full payment of their assessed contributions as well as the allocation of funds to the Industrial Development Fund and increased voluntary contributions for the implementation of integrated programmes. The Organization could not get its activities under way without voluntary resources—6 per cent of the regular budget for technical cooperation was a paltry sum for the programmes it was expected to carry out. No one should regard the allocation of resources to UNIDO as a matter of secondary importance. Resources allocated were investments from which donors and beneficiaries alike stood to gain. A successfully transformed UNIDO could make an increased contribution to the formulation of joint responses to current matters of concern.

90. The strengthening of industrial capacity and cleaner and sustainable industrial development were suitable parameters for the promotion of private-sector investment. Problems such as those relating to the employment crisis and the impact of new technologies should be analysed in cooperation with other agencies of the system so that technical cooperation effectively met current needs. He wished to stress the positive effects of more effective support for small- and medium-sized enterprises in the building of more balanced societies.

91. The enthusiastic efforts of the Director-General to rescue UNIDO and put it in its rightful place in the United Nations system deserved full support.

92. **Mr. ALPMAN** (Turkey) commended the Secretariat for the improved documentation prepared for the session. He also welcomed the new staff structure in place, which permitted integrated programme and project implementation and coordination among different departments of the Secretariat. Also, as a result of the simplified structure, the Director-General was able to work more closely with staff at all levels, particularly those directly responsible for projects.

93. In preparation for the forthcoming General Conference session, the Board session should focus on the review of the work of the Organization during the current biennium and also discuss experience with the service modules and integrated programmes during 1998, without forgetting such matters as the medium-term framework for the period 2000-2003 and performance indicators.

94. He was pleased to note that the transformation of UNIDO, in accordance with the Business Plan, was now complete. The three Annual Report documents (IDB.21/10, IDB.21/11 and IDB.21/12) provided a good picture of the transformation of the Organization and of its performance, including an indication of how a number of projects had made a measurable impact in recipient countries.

95. The session of the Programme and Budget Committee had yielded good results. He reiterated his Government's support for the Organization, with the new management culture and a zero real growth budget for the next biennium.

96. He welcomed the increase in resources allocated to Major Programme E (Regional Programme) and the reduction in resources for Major Programme F (Administration), which had enabled field representation to be strengthened. Turkey believed that decentralization would be one of the most efficient ways of improving the performance of UNIDO.

97. Turkey was an emerging donor country, and was one of the few countries that was not in arrears: its assessed contributions for 1999 had already been paid.

98. Turkey welcomed the dynamism brought to the Organization by the new management. It was hoped that the positive atmosphere created within and outside the Organization as a result would encourage more countries to fulfil their financial obligations and to make voluntary contributions.

99. As the new millennium approached, economic challenges had become increasingly global in scope, which was more apparent in the developing countries and economies in transition as they strove to take their place in the world economy. Sustainable industrialization was essential if they were to overcome those challenges and benefit from globalization. While some countries had made remarkable progress in that direction, many more—particularly those in Africa—were lagging behind. He therefore welcomed the fact that priority had been assigned to programmes and projects developed within the packages of integrated UNIDO services and under the service modules.

100. UNIDO representation in Member States was crucial for the Organization's future. Turkey supported the Director-General's policy of encouraging the strengthening of field representation, provided that the host country offered financial or in-kind contributions. UNIDO must act like an honest broker, carefully assessing the input and output, advantages and disadvantages of every opportunity. His Government had signed an agreement with UNIDO to set up a centre for regional cooperation under which it would bear 70 per cent of the total costs.

101. In conclusion, while applauding efforts made to improve the representation of women in the Secretariat, he stressed that the current gender balance was far from satisfactory, especially at the decision-making levels, and called for further efforts in that area in accordance with General Assembly resolution 52/96.

102. **Mr. GARCIA** (Observer for the Philippines) said that he had full confidence in the leadership skills of the Director-General, which would ensure attainment of the Organization's goals of promoting economic competitiveness, employment and a sound environment. The Philippines associated itself fully with the statements made by the Group of 77 and China as well as the Asian Group. Countries had a joint responsibility to ensure that the Organization was fully equipped to implement technical cooperation programmes to support the industrialization of developing countries. That meant the approval of the regular budget for the next biennium, payment of assessed contributions and, no less important, the full mobilization of extrabudgetary resources to finance the integrated technical cooperation programmes. He hoped that the Group of 77 proposal to address that crucial issue would be adopted at the current session.

103. Fund mobilization was the next challenge facing UNIDO in its process of transformation and he endorsed the innovative proposals outlined by the Director-General in documents IDB.21/8 and IDB.21/CRP.4, which should be implemented by all Member States. In particular, he welcomed the proposal for stronger substantive dialogue with Member States in the preparation of country programmes and projects. The Philippines was one of the 16 countries which already had a United Nations Development Assistance Framework. UNIDO's role in that multi-agency development framework was focused on the promotion of small and medium-sized enterprises and environmentally sound industrialization.

104. In conclusion, he thanked UNIDO and donor countries for the projects implemented in the Philippines so far and looked forward to continuing the partnership under the Business Plan and the 16 service modules. His authorities were ready to cooperate with a UNIDO programming mission to the Philippines and hoped that the Director-General would be able to appoint a new UNIDO Country Director soon.

105. **Mr. REGUIEG** (Algeria) said that the current session was taking place at an important time for the Organization, which was undergoing radical changes following the implementation of the Business Plan. He wished to stress the positive impact of the measures undertaken in that connection. Following successful administrative reform, the Organization was now engaged in programmatic reform, with the establishment of new service modules. He had every faith in the ability of the Director-General and his team to continue with changes which would restore Member States' confidence in the Organization.

106. He was satisfied with the new presentation of the Annual Report, which revealed the determination of the Secretariat to adopt a transparent approach. It was regrettable that the Programme and Budget Committee had been unable to reach a decision on the budget for the biennium 2000-2001; he hoped that the issue could be resolved during the current session.

107. With regard to support for Africa, in particular in connection with the Second Industrial Development Decade for Africa and the Alliance for Africa's Industrialization (AAI), he expressed support for the approach outlined in document IDB.21/18 and Add. 1. As for the more specific matter of resource mobilization he hoped that the conference on industrial partnership and investment in Africa to be held in Dakar in October 1999 would provide a real opportunity to mobilize the funds required for the implementation of the AAI Action Plan.

108. He acknowledged the progress made in the implementation of the field representation programme, notwithstanding the limited financial and human resources of the Organization, and he endorsed the approach advocated by the Director-General. He hoped that the Secretariat would pursue consultations with Member States with a view to establishing a reliable and durable field representation programme which met the real needs of developing countries.

109. Algeria attached great importance to performance indicators, notably for monitoring implementation of the reform process under way in the Organization. Due note had been taken of relevant developments, as detailed in document IDB.21/24, in particular the introduction of new service modules whose main objective was to respond fully to the needs of recipient countries.

110. He welcomed the addition of an agenda item on financing integrated technical cooperation programmes in developing countries, since the shortage of funds might

jeopardize the implementation of new integrated programmes in some countries. Algeria had reached agreement with UNIDO on an integrated programme and its funding.

111. **Mr. ZHANG Yishan** (China) said that the Annual Report for 1998 gave a detailed account of the process of transformation in accordance with the Business Plan. As the result of administrative reform, including streamlining administration and simplifying operational procedures, the financial situation and efficiency of the Organization had been improved. At the same time, laudable efforts had been made to bring about programmatic change reflecting the dual role of UNIDO as a global forum for industry and as a provider of specialized technical cooperation services, and resulting in the establishment of 16 service modules.

112. The touchstone of the success of UNIDO's reform and transformation would be the amount of assistance and the quality of service it provided to developing countries and the role they played in helping countries to achieve sustainable industrial development. In the last year, the UNIDO Secretariat had invested significant human and material resources in collecting information on the needs of Member States and formulating integrated programmes. The success of the integrated programmes would depend on UNIDO's ability to mobilize sufficient financial resources. He appealed to Western developed countries to continue to support the Organization by increasing their contributions to the Industrial Development Fund and other voluntary contributions and giving the necessary financial support to the integrated programmes.

113. In addition, he hoped that the Secretariat would objectively analyse different ways of obtaining more funds. A flexible approach was needed, with due regard for the specific requirements of different countries. Assistance might take the form of large-scale integrated service projects or of smaller projects, as long as it promoted industrial development, the mobilization of resources and an expanded delivery of technical assistance.

114. UNIDO's Business Plan had set the direction for the future development of the Organization and reflected the concerns of Members States about the problems facing developing countries, particularly the least developed countries (LDCs), in areas such as industrial policies, the environment, investment and development, and small and medium-sized enterprises. In order to keep pace with changes in international politics and economic development, the Business Plan should be constantly updated and refined throughout the implementation process. Many developing countries faced serious challenges and risked marginalization owing to rapid international economic developments. While building up its capacity to obtain additional resources, UNIDO might wish to assign priority to projects which used fewer resources but produced quick results, strengthening South-South cooperation and helping developing countries to introduce technologies and to improve the quality of their products.

115. In recent years, cooperation between China and UNIDO had been greatly strengthened, in particular with regard to environmental conservation. Thanks were due to the UNIDO Secretariat and its representation in China for the work done.

116. **The PRESIDENT** said that, judging by the statements made during the meeting and the progress of ongoing informal consultations, some consensus on the budget for the next biennium now appeared to be emerging. He had therefore decided to forward a draft decision to the Chairman of the informal consultation group, based on the Director-General's proposals outlined in document IDB.21/CRP.6, which entailed some reductions to the original budget proposal (IDB.21/7).

117. **Mr. IKEDA** (Japan) said that his Government's policy in the United Nations system was to seek a budget based on zero nominal growth. He appreciated the President's efforts to ensure approval of the budget for the next biennium during the current session; however, on the basis of the statements he had heard so far, it did not appear that any consensus on the matter was emerging. On the contrary, many representatives were still in favour of a budget based on zero growth in real terms. He would therefore like to know whether there was indeed broad support among those present for the Director-General's proposals outlined in document IDB.21/CRP.6. In the affirmative, in a spirit of compromise, he would be willing to go along with a consensus on those lines.

118. **Mr. BENMOUSSA** (Morocco) expressed his support for the proposals outlined in document IDB.21/CRP.6, provided that no change was made to the proposed allocations for document translation and interpretation, so that the important principle of equal treatment for all working languages of the Organization was upheld.

119. **Mr. BORCHARD** (Germany), speaking on behalf of the European Union, said that it had been actively involved in seeking a consensus on the budget issue and therefore welcomed the statement made by the representative of Japan. He was aware that a number of delegations would not be fully satisfied with the compromise solution but stressed the importance of reaching a decision by consensus, which would commit Member States to the programme and budgets for the next biennium. He understood the position of the Group of 77, but bearing in mind particularly difficult situations of some countries at the present juncture, he urged the adoption of a budget based on the proposals contained in document IDB.21/CRP.6 without further delay.

120. **Mr. TIWARI** (India), speaking on behalf of the Group of 77, said that originally he had been in favour of, at the very least, a zero real growth budget; however, in view of the difficulties facing some major donors, he would go along with the emerging consensus. He endorsed the German representative's remarks and wished to reciprocate the spirit of compromise shown by the representative of Japan.

121. **Mr. FIGUEROA** (Mexico) endorsed the Moroccan representative's remarks.

122. **The PRESIDENT** said he was pleased to note that all speakers had expressed support for a budget with the reductions outlined in document IDB.21/CRP.6, and thanked the representative of Japan for his contribution to achieving consensus on the issue.

The meeting rose at 1.40 p.m.

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Industrial Development Board

Twenty-first session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 24 June 1999, at 3.30 p.m.

President: Mr. REGUIEG (Algeria)

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The meeting was called to order at 3.35 p.m.

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PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (*continued*) (IDB.21/15, IDB.21/18 and Add.1, IDB.21/20, IDB.21/21, IDB.21/23, IDB.21/26 and Corr.1, IDB.21/27; IDB.21/CRP.7)

FINANCING OF THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES (*continued*) (IDB.21/17; IDB.21/CRP.4)

1. **Mr. RATAJ** (Poland) endorsed the views expressed by the representative of Germany on behalf of the European Union. His delegation believed that UNIDO had the proven capacity to play a catalytic role in integrating the developing countries, especially the least developed ones, and some of the countries with economies in transition, into the industrial sector of the global economy. The Organization's own multilateral action in that regard should be harmonized with the bilateral efforts of the developed countries.

2. UNIDO's integrated packages of services and service modules could help to create infrastructures for business and investments to enter the developing countries, paving the way for them to become part of the globalized world economy. Those programmes should create jobs and increase the industrial capacity of the recipient countries.

3. However, the marketplace for industrial development services was becoming highly competitive. UNIDO must therefore focus on quality delivery of expert services in priority areas, demonstrating its comparative advantages while meeting the demand of recipients as well as the criteria of environmental and economic sustainability.

4. In connection with the draft programme and budget for the biennium 2000-2001, his delegation would have found the proposed budget acceptable in its original form, but agreed that efforts should be made to ensure the cost-efficient use of available resources. It therefore welcomed the emerging consensus on the budget figure.

5. The Annual Report of UNIDO for 1998 (IDB.21/10) showed that important work had been done in 1998 in priority areas. His delegation supported the emphasis to be given to Africa and the least developed countries (LDCs) to small and medium-sized enterprises (SMEs), to agro-industries, to cleaner and sustainable industrial development and to strengthening industrial capacities. The Annual Report also demonstrated the achievements of the Director-General and his staff in 1998, the year when the process of transforming UNIDO had started.

6. With regard to item 6 of the agenda on the financing of the integrated technical cooperation programmes, his delegation shared the concern of potential recipients of UNIDO's assistance at the scarcity of resources for financing the service modules and integrated technical cooperation programmes. There was no universal recipe for stabilizing extrabudgetary financing to allow the Organization to sustain those programmes, but by proving that it could provide quality services UNIDO should be able to convince donor countries and financial institutions of the need to support it.

7. **Mr. UMER** (Pakistan) said that dedicated efforts had been made to put wide-ranging reforms in place in UNIDO. The challenge now was to move from conceptualization to implementation.

8. UNIDO needed to be given the necessary financial resources to manage itself effectively. Following the radical cuts in successive budgets it would have been reasonable to hope that the figures presented by the Director-General would be accepted. However, the Programme and Budget Committee, while recommending that the Board should give positive consideration to the proposals of the Secretariat, had urged the latter to consider further savings. That had now been done and an agreement in principle on the revised figures had been reached. However, in future the Board must try to approve the budget in timely fashion. Moreover, the process of budget approval should be made more democratic: often the figures finally approved reflected the wishes of one or two countries and not those of the vast majority of Member States.

9. Approval of the regular budget ensured that funds were available simply for the Organization's continued existence. However, only 6 per cent of the total allocation was spent on technical cooperation. The service modules devised by UNIDO had been endorsed in consultation with Member States informally but resources were needed to implement the programmes, only a small percentage of which had received financing. Unless money for the rest was quickly made available, UNIDO would remain a mere talking shop. While the donor community's caution was understandable, it should not be exercised for too long. The 20 per cent reduction in the budget for the current biennium had been agreed on the strict understanding that further cuts would not be made. That agreement, enshrined in resolutions of the Board and the General Conference, must be honoured.

10. It was essential to strengthen UNIDO's field network. Careful thought should be given to establishing regional offices in cooperation with the Member States

concerned. Hasty decisions ignoring regional sensibilities would be detrimental to UNIDO's interests.

11. With the globalization of the world economy, projects in a given country should always be shown to benefit global economic prosperity in some measure. The parliaments of the industrialized countries would be more amenable to granting funds to UNIDO if they were convinced that their own economies would benefit. Bilateral programmes were important and should complement but not duplicate multilateral ones. Greater coordination was needed between donor and recipient countries, in consultation with UNIDO field offices, in order to optimize resources.

12. It was essential that all Member States should pay their assessments in full and on time. Additional funding could not credibly be demanded when nearly 40 per cent of the membership was defaulting on its assessed contributions.

13. In-service training programmes in the private sector were needed to counter the idea that intergovernmental mechanisms were ineffective in a free-market economy.

14. The radical transformation of UNIDO must be matched by an equally radical commitment of donor countries to the Organization. If Member States believed that UNIDO was capable of doing its job, it was only fair to give it the means to do so.

15. With respect to agenda item 4 (i), concerning the External Auditor, he agreed with the representative of Ghana on the need for consensus on the appointment of an External Auditor, and therefore withdrew Pakistan's candidature. However, he hoped that in future candidates for the post from developing countries would be given due consideration. He suggested that the remaining candidature, from Germany, be endorsed by acclamation.

16. **Mr. ANDHØY** (Norway), referring to the Annual Report for 1998 (IDB.21/10), said that his delegation welcomed such achievements as the development of the service modules and the focus on Africa. It also appreciated the information contained in document IDB.21/26 which illustrated UNIDO's willingness to take part in system-wide reforms within the United Nations family. It took note of the progress made in elaborating performance indicators and looked forward to further action in the area of decentralization to the field. His delegation welcomed the establishment of a gender focal point, while stressing the need for resources to be allocated to it.

17. Norway had originally supported a zero real growth budget with an increase of $3.7 million as proposed by the Secretariat. However, it welcomed the emerging consensus based on the information given in document IDB.21/CRP.6, and on that basis looked forward to an active partnership with the reformed and revitalized UNIDO. The Organization needed a positive signal from Member States, and approval of the budget would constitute that signal.

18. His delegation appealed to all Member States, present and former, to pay their arrears and assessed contributions in full and unconditionally.

19. **Mr. PURNOMO** (Indonesia) said that now that UNIDO had completed the fundamental part of its reform, the task was to find practical and realistic ways of achieving its objectives, especially in view of the diminution of the Organization's resources in the last few years. Indonesia fully supported the proposed budget for the biennium 2000-2001, which covered a minimum core of activities and should therefore not be further curtailed.

20. While encouraged by the steps taken by the Director-General concerning implementation of the service modules, his delegation regretted the significant drop in technical cooperation approval between 1997 and 1998. If UNIDO were to implement the service modules in addition to its technical cooperation programmes, significantly more resources would be required than were currently available. Indonesia placed great importance on technical cooperation activities and would like to see a balanced implementation of such activities and the service modules in the future.

21. His Government appreciated UNIDO's role in advancing the programme of technical cooperation among developing countries (TCDC) in the context of South-South cooperation. In that connection, with assistance from UNIDO, Indonesia had, in March 1999, conducted a workshop on small-scale brick-making technology, in which 15 African countries had participated, and which had served as a forum for technology transfer. That initiative should now be expanded into a business cooperation venture. Mention should also be made of the Optimizing Partnerships through Trade and Investment Markets for Agribusiness (OPTIMA) programme, jointly sponsored by UNIDO and the Government of France. Indonesia also looked forward to the completion of the study to be conducted in cooperation with UNIDO on support to industrial recovery.

22. His delegation joined others in supporting the establishment of an ad hoc working group on the financing of technical cooperation programmes, which would be of particular value in view of the fact that only 6 per cent of the regular budget was earmarked for technical cooperation activities. Technical cooperation programmes played a crucial role in enhancing a country's national development programmes, particularly in the prevailing climate of global economic malaise. That harsh economic climate had inevitably made it more difficult for his Government to meet its commitment to pay its assessed contributions, which had risen sharply for the period

2000-2001. In the light of the economic difficulties it was facing, Indonesia sought the Organization's forbearance in that regard.

23. Lastly, he reiterated his delegation's support for the establishment of subregional offices, but wished to stress that the host country's share in the cost of operating field offices should be kept at a level appropriate to its economic circumstances.

24. **Mr. ORTIZ GARCIA** (Spain) said that the presentation of UNIDO's programmes and service modules was a team effort; in an international organization, as in the world of sport, it was teamwork that produced results. UNIDO was fortunate in having an excellent coach to train its team.

25. He reiterated Spain's wholehearted commitment to the future of UNIDO and to consolidating the recent reform process. His Government was studying ways and means of contributing to ongoing UNIDO programmes, particularly in the Spanish-speaking countries of Latin America and the countries geographically close to it in northern Africa. He hoped to be able to make an announcement regarding those contributions in the near future.

26. Following a tempestuous period of reform, the Organization could now look forward to a period of calm seas and plain sailing. New budgets must now be approved, and the Director-General should be supported in his efforts. Just as, in Roman times, a trireme had required the efforts of its entire crew to ply the Mediterranean, all members of UNIDO must now pull together in a collective effort to ensure the success of the Organization.

27. **Mr. KUMAR** (India) said that, in the new market-oriented world economic order, marginalized countries continued to be marginalized and were not gaining the strength they needed to compete. Only through the strengthening and development of multilateral institutions such as UNIDO could those countries be enabled to join the global economic mainstream and participate in its benefits. The Director-General's visit to India in March 1999 had made it possible to gain a better understanding of UNIDO's new strategy. He reiterated his Government's resolve to contribute to strengthening the Organization's programmes and activities, and its belief that the framing of a medium-term and long-term programme would assist the implementation of the Business Plan on the Future Role and Functions of UNIDO and would send the right signals to the international community.

28. A recently introduced programme designed to increase productivity in the SME sector of the Indian automotive industry, in consonance with the demands of the new open and competitive economic environment, had evoked a good response to date. Once the programme had been fully implemented, it could serve as a model for similar programmes in other sectors in India and elsewhere.

29. Greater attention should be accorded to the environmental aspects of industrialization. With help from UNIDO, India was formulating projects to increase the efficiency of industrial boilers and reduce pollution levels in cement plants, with access to funds under the Global Environment Facility (GEF). A further welcome step was the new UNIDO proposal for the establishment of an Asian-African investment technology promotion centre in Malaysia, in collaboration with the Government of Japan. In that connection, consideration might be given to linking UNIDO-aided projects in India with the centre's activities in the overall framework of South-South cooperation.

30. His delegation was pleased to learn that UNIDO was considering setting up an information technology forum in India's "silicon valley", the city of Bangalore, and his Government would be happy to be a partner in that endeavour.

31. His Government was heartened to see an upward trend in delivery to the LDCs, and had agreed to a project proposal on promotion of Indian technologies and investment in selected African States bordering the Indian Ocean, intended to accelerate business and industrial collaboration between India and the countries of Africa. Research by UNIDO had revealed that lack of entrepreneurial abilities and failure to prepare projects adequately were the most significant obstacles to the industrialization of developing countries. Having traversed its own period of industrialization over the past 50 years, India was in a good position to share its experience with all African countries. With help from UNIDO, it had set up an interregional centre to promote investment in industrial sectors and develop enterprise management skills in Asia, Africa and the Arab region. About one hundred persons from developing countries had already been trained.

32. His delegation noted that the regular budget estimates for 2000-2001 were more or less identical to those for 1998-1999, merely incorporating a modest cushion against inflation, and that substantial efforts had been made over the past year to streamline and restructure the administration, introducing much-needed economy measures and diverting more funds for real development. His delegation supported the Director-General's efforts to reach a consensus on the budget for 2000-2001.

33. As trade preferences were eroded, there was serious concern, particularly in the LDCs and African countries, regarding market access. India welcomed UNIDO's focus on Africa in the implementation of its integrated programmes, and would be happy to assist that endeavour

by providing trained technical personnel and access to its entrepreneurial training institutions.

34. India had been making regular and substantial voluntary contributions to the Industrial Development Fund (IDF). It proposed to increase its voluntary contribution for 1999 from $1 million to $1.2 million and urged other Member States likewise to consider increasing their voluntary contributions.

35. Lastly, his Government welcomed UNIDO's stated intention to hold a special millennium conference in the year 2000, with a view to articulating a vision for industrial development in the twenty-first century, and would be happy jointly to organize such a conference in New Delhi.

36. **Mr. KOUASSI** (Côte d'Ivoire) said that the efforts made in recent years to provide UNIDO with a viable structure, carefully targeted objectives and a management capable of effectively delivering priority programmes had brought the Organization back on course. The finalization of the integrated technical cooperation programmes was an achievement of major importance in the industrialization of the developing countries.

37. However, without adequate funding, the best ideas in the world would come to nothing. UNIDO must have sufficient resources to enable it to carry out its activities in the field. His Government therefore called upon bilateral and multilateral donors to provide financial support enabling the related projects to be fully implemented. That issue would be at the centre of the discussions during the Conference on Industrial Partnership and Investment in Africa, to be held in Dakar in October 1999. Côte d'Ivoire therefore invited Member States and multilateral partners in industrial development to participate actively in that event.

38. **Mr. ISMAILOV** (Observer for Azerbaijan) reaffirmed his country's support for the UNIDO reform process, which would increase the effectiveness of the Organization. It was reassuring to note the issues addressed by the Secretariat and the initiatives undertaken for the further implementation of the relevant General Assembly resolutions. The welcome progress made in UNIDO's transformation would assist in the implementation of the Business Plan and the new integrated services.

39. It was gratifying to note the success achieved by the Organization with regard to the division of responsibilities among United Nations development agencies, for example, UNIDO's programmatic focus on the sustainable industrial development goals of competitive economy, productive employment and sound environment. His delegation welcomed the progress in UNIDO's cooperation with other bodies of the United Nations system, as evidenced by the signature of a number of inter-agency agreements during 1998, in particular with the United Nations Development Programme (UNDP), which was a very important step in facilitating joint activities, especially with regard to the mobilization of resources.

40. UNIDO's operations in Azerbaijan in recent years had been characterized by new forms of interaction with other specialized agencies. The partnership between UNIDO and UNDP, as the agency funding and managing the United Nations Resident Coordinator system, would be further strengthened and developed in future. The implementation of such cooperation would facilitate the elaboration of new projects of major importance to Azerbaijan involving the upgrading of the environmental infrastructure, the utilization of UNIDO's cleaner technologies capacities, support for SMEs and the achievement of greater energy efficiency in different sectors of the economy, in order to reduce costs, enhance competitiveness and conserve energy resources.

41. His Government appreciated UNIDO's efforts with regard to the designation of field offices, the transfer of staff and decentralization. That would assist in the implementation of local projects, and the promotion of UNIDO's services and would ensure that those services were developed jointly with host countries.

42. **Mr. SANUSI** (Nigeria) said that his delegation was concerned that failure by the Board to approve the programme and budgets for 2000-2001 might send the wrong signal to the Organization, which had successfully weathered a painful transformation process and should not be deprived of the resources it needed to provide the services envisaged in the budget. It also called upon Member States to settle their arrears and pay their assessed contributions in full and on time.

43. His delegation had confidence in UNIDO's ability to deliver valuable technical cooperation programmes if sufficient financial resources were made available, and believed that the recent reforms would encourage donor countries to make more voluntary contributions available to enable UNIDO to discharge its mandate. Nevertheless, with continuing low levels of contributions to the Industrial Development Fund, the Organization's inability to finance the integrated technical cooperation programmes was becoming increasingly apparent. UNIDO should be strengthened, not incapacitated by further budget and staff cuts or unnecessary delays in project approval and funding. His delegation believed that the recommendations contained in sections V and VI of the Director-General's note on funds mobilization (IDB.21/CRP.4) would, if implemented, provide a new direction for the financing of integrated technical cooperation programmes in developing countries. Nigeria supported the establishment of an ad hoc informal working group, as proposed by the Group of 77 and China, to consider the related issues.

44. It was against the background of the precarious state of African industry that the Director-General, in collaboration with the Economic Commission for Africa and the Organization of African Unity, had organized the Conference on Industrial Partnership and Investment in Africa, to be held in Dakar in October 1999 under the leadership of the African Development Bank and in cooperation with the World Bank. One goal of the conference would be to identify and mobilize funds for the implementation of technical cooperation programmes. His delegation therefore urged the donor countries to participate actively in that conference.

45. **Mr. MARTIN** (Belgium) announced that the following day Belgium would sign an agreement with UNIDO making an initial amount of 10 million Belgian francs available for the new integrated programme for Burkino Faso. That contribution bore witness to his Government's support for UNIDO's new programmatic approach.

46. **Mr. CHAABANE** (Tunisia) said that the future of UNIDO depended on the support that Member States, and particularly donor countries, were prepared to give to the Director-General in his efforts to provide the Organization with the resources it needed to achieve its objectives. The current session of the Board preceded by some three months the fourteenth meeting of the Conference of African Ministers of Industry (CAMI), to be held in Senegal on 22 and 23 October 1999. Against that background, his delegation supported the initiative concerning implementation of the Business Plan in Africa and the convening in Dakar of the Conference on Industrial Partnership and Investment in Africa immediately prior to the CAMI meeting. It called upon donor countries to contribute to the success of the conference and to assist in mobilizing the resources needed to implement UNIDO's 27 integrated programmes, which would help promote sustainable development in the developing countries, particularly in the private sector. A recent visit to Tunisia by the Director-General had resulted in the finalization of one such integrated technical cooperation programme between UNIDO and his Government, an example of fruitful cooperation between the Organization and developing countries. Tunisia was ready to do its utmost to ensure the success of the programmes, and thus called upon all members of the Board to contribute to mobilizing the necessary resources. In that regard, the consultations between developed and developing countries held recently at UNIDO Headquarters augured well for the future.

47. In concluding, his delegation supported the proposal concerning the introduction of the euro.

48. **Mr. NAIDUNOV** (Observer for Belarus) said that his delegation noted with appreciation the strenuous efforts made by the Secretariat to carry out the tasks entrusted to it by the General Conference and to implement the Business Plan. However, UNIDO must not rest on its laurels but must increase the volume of services provided by it to developing countries and States with economies in transition. Only practical results in the form of effective programmes and projects would testify to qualitative transformations in the Organization. However, those results could not be achieved without adequate financial resources. When considering the budgets of international organizations, Belarus adhered to the principle of zero growth. Accordingly, it broadly supported the UNIDO budget for the 2000-2001 biennium, which was in keeping with that principle.

49. The transformation of UNIDO was opening up possibilities for intensified cooperation between Belarus and the Organization. His delegation thus placed great hopes in the elaboration of an integrated cooperation programme between UNIDO and Belarus. His Government was particularly interested in cooperation in the promotion of industrial investment, in the early implementation of UNIDO's investment promotion programme for Belarus, and in the project to set up a technopark in Belarus. His delegation looked forward to an early conclusion of those projects.

50. In conclusion, his delegation wished to point out that, in spite of the financial difficulties that Belarus was experiencing, it had tried to fulfil its financial obligations to the Organization, and would continue to do so.

51. **Mr. KERMANSHAH** (Islamic Republic of Iran) said that his delegation welcomed the transformation and revitalization of the Organization and its new approach in providing comprehensive packages of integrated services in line with the requirements of the Business Plan. However, without adequate funds, the transformed UNIDO would not be able to prove its impact and relevance. The implementation of the Organization's programmes depended to a great extent on the size of voluntary contributions, and more resources would be needed if those programmes were to have a significant impact. By showing itself to be a demand-oriented and competitive organization supported by marketing activities and capable of bringing together the experience and resources of Member States, it would find enough clients ready to pay for its services. It was gratifying to note the positive reactions from various donor countries.

52. His Government had on several occasions made local currency contributions for training courses under trust fund projects. It was also prepared to negotiate a further amount for projects in the framework of the integrated programmes being launched for his country. For full implementation of those programmes, UNIDO should facilitate the provision of funds through organizations such as the World Bank and the Global Environment Facility. Under its integrated packages of services, UNIDO had mobilized $81.7 million in 1997 and 1998 for technical cooperation projects, but, with the increase in the volume of the programmes, some of the planned technical

assistance could not be implemented owing to insufficient funding. His delegation welcomed the Director-General's efforts and emphasized its support of the position expressed by the Group of 77 and China on the financing of technical cooperation programmes.

53. His delegation commended the Secretariat's efforts with regard to the strengthening of the UNIDO field programme, in line with the Business Plan, and emphasized the importance of close collaboration with host country Governments in the decentralization process. To avoid transformation of Professional staff into administrative staff in the field, special courses should be developed and updated technical software made available. The UNIDO Field Office in Tehran had been established on a well-defined cost-sharing basis, with the redeployment of one Professional staff member from Headquarters, in April 1999. The inauguration of the Office was the result of long-standing cooperation with the Secretariat and discussions between the Iranian Ministry of Industry and the Director-General. Efforts were being made to familiarize industrialists with the services of the Office, which was expected to have a perceptible impact in enhancing his country's relationship with the Organization.

54. **Mr. BERTONCELJ** (Observer for Slovenia) said that his Government had decided to establish an international centre for sustainable development at Ljubljana, in cooperation with UNIDO. The project, which had an initial budget of $250,000, would draw on Slovenia's vast experience in dealing with the problems of economies in transition. His country's scientific and technological potential and its understanding of the need for coordination with similar activities in Western Europe made it an excellent base for the setting up of a mechanism to enhance the effectiveness of institutions in Central and Eastern Europe in formulating programmes and projects geared to achieving environmentally sustainable development. The centre would assist in the development, exchange and utilization of scientific, socio-scientific and technological know-how on innovative methods and best practices in a wide variety of fields. The immediate beneficiaries would be national and regional research and development institutions, SMEs, and national, regional and local policy and decision makers. Slovenia sought the support of all interested countries and institutions with a view to furthering cooperation in the region.

55. **Mr. DIYEZWA** (Observer for Angola) said that his delegation wished to stress the importance of the Industrial Development Fund and other voluntary contributions for the industrial development of Africa, and of the LDCs in particular. The IDF, together with the trust funds, constituted the bulk of the resources available to UNIDO in providing Member States with its principal services. It was therefore necessary that such funds be maintained at a level that would enable the Organization to implement its programmes. Angola welcomed the proposal by the Group of 77 and China to include the question of financing the integrated technical cooperation programmes in developing countries on the agenda for the current session, so as to permit creative deliberation on new methods of financing such programmes. In that context, it supported the establishment of an ad hoc informal working group to study the related issues. That was necessary in view of the declining trend in both voluntary contributions and regular budget funds for technical cooperation. If the necessary resources were not forthcoming, the Secretariat's work would merely be an academic exercise. He expressed his appreciation to the Governments that had already made voluntary contributions to finance the integrated programmes and hoped that other countries would follow that example.

56. UNIDO's presence in the field was an important factor in supporting its policy of promoting industrialization. His delegation therefore deplored the cessation of UNDP support for UNIDO's field representation programme, the constant reduction in regular budget funds and also the decline in voluntary contributions. Since the Organization needed adequate financial resources to meet the needs of the developing countries, Angola, despite its own difficulties, would continue to make efforts to honour its financial obligations, thereby expressing its confidence in and political support for the Organization. The principal objective of field representation was a qualitative and quantitative improvement in the delivery of field projects, for which it was crucial to have personnel of high calibre. His delegation hoped that there would be more flexibility in the financing of expenses generated by UNIDO's permanent field presence in the case of the LDCs, since any measure serving to marginalize those countries would not be in keeping with the Organization's mandate.

57. **Mr. POOLOKASINGHAM** (Observer for Sri Lanka) said that he wished to express his Government's appreciation to the Director-General for the rapid and high-quality response to his country's request for industrial development assistance. His Government had already given its approval regarding the proposed programme and was organizing a donors' conference on 16 July 1999, to be attended by four key ministers.

58. Sri Lanka looked forward to continued assistance in the mobilization of funds through the regular budget and through donor agencies and donor countries, and to further fruitful cooperation with UNIDO.

59. **Mr. ZAFERA** (Madagascar) said that the Director-General was to be commended for his energetic efforts in bringing about UNIDO's transformation, both administratively and in regard to its programmes; those efforts had enabled UNIDO to escape from its earlier precarious situation. His delegation reiterated its full support for the Director-General in the implementation of the Business Plan in the context of the reform process.

60. His Government had noted with interest the activities undertaken by UNIDO in 1988 and particularly welcomed the new integrated approach and the new service modules. The action taken in the areas of inter-agency cooperation, strengthening of the field representation programme and funds mobilization by means of innovative methods should be supported by Member States.

61. Madagascar's economy, like that of most countries of sub-Saharan Africa, was dominated by agriculture, while its industrial sector represented only approximately 12 per cent of the gross domestic product (GDP) and its annual rate of growth had remained at around 1 per cent over the past 10 years. Major efforts were necessary to promote and support the development of his country's industrial sector. The Government was accordingly preparing a programme of short-, medium- and long-term action, in connection with which it hoped to receive technical assistance from UNIDO, and an official request for a programming mission to his country had been submitted. It was a source of great satisfaction that Madagascar was among the countries that would receive formulation missions, which were indispensable for working out integrated programmes.

62. Greater resources would be needed to ensure that UNIDO's integrated programmes for the LDCs and other developing regions had sufficient impact. However, support for the LDCs had fallen considerably in 1998, compared to 1997. The measures taken by Director-General to delay the effects of that reduction were appreciated. His delegation appealed to the donor community to increase voluntary contributions for technical cooperation programmes for the benefit of Africa and the LDCs. It was gratified that an agenda item on financing those programmes had been included, thus enabling the Board to discuss that important question and to adopt appropriate measures, and welcomed the organization in Dakar of the Conference on Industrial Partnerships and Investment in Africa, in October 1999.

63. With regard to field representation, his delegation supported the Director-General's efforts aimed at enabling UNIDO Representatives to play a greater role and giving them greater resources, as stated in document IDB.21/19. It was grateful for UNIDO's action to reactivate its office in Madagascar and was convinced of the resultant favourable effect on his country's cooperation with UNIDO.

64. His delegation fully supported the Director-General's proposals concerning the programme and budgets for the biennium 2000-2001, which, in view of the constraints faced by the Organization, constituted an absolute minimum. In his delegation's view, it would not be possible to make further cuts without jeopardizing the Organization's credibility and future. His delegation regretted that those proposals could not be adopted and that the Director-General had been compelled to make some changes. A consensus appeared to be emerging, which his delegation was prepared to join.

65. His delegation also supported the recommendations of the Programme and Budget Committee contained in document IDB.21/14 on arrears of contributions, the Working Capital Fund, the Industrial Development Fund and other voluntary contributions.

66. Finally, it saw no objection to the adoption of the proposals contained in document IDB.21/29 concerning the implications of the euro for UNIDO and was convinced that the Board would take appropriate measures on the subject.

67. **Ms. WOHLES DE MEIE** (Observer for Guatemala) said that several countries in her region had emerged from a profound and long crisis, which, in the case of Guatemala, had lasted for more than 36 years. The country had entered on the path of peace, democracy and economic recovery, but that effort had been brutally interrupted with the arrival of hurricane Mitch. The hurricane had not only caused a human tragedy but also threatened the political, economic and social stability of the region. Its effects were still being felt.

68. UNIDO was one of the few multilateral agencies that had taken significant action in support of small economies wishing to adapt to the new globalized economic order. An integrated programme had been designed to support Guatemala's industrial sector. The public and private sectors, civil society and NGOs had participated, together with UNIDO, in the design of that programme, whose implementation was of great importance for the country's social, political and economic stability, sustainable industrial development being a key factor in creating a more prosperous and equitable society. The programme would help to create employment, improve income and strengthen SMEs.

69. Guatemala was in favour of a budget that would enable such programmes to be carried out also for the benefit of other countries in similar circumstances. At a meeting of donor countries in Stockholm on 24 May 1999, her country's Vice-President had emphasized the importance of UNIDO's support in the design and execution of specific development programmes. Her delegation appealed to the international community to help realize that aim.

70. **Mr. SANTER** (Luxembourg) said that his delegation wished to express its appreciation of the excellent work done by the Secretariat and the Director-General and, in particular, of the steps to transform UNIDO into an organization capable of responding directly and efficiently to the individual needs of developing countries. The integrated programme approach was the correct one. As an expression of his Government's support for UNIDO, it had decided to make for the first

time a voluntary contribution of 3 million Luxembourg francs, not tied to any particular purpose.

71. **Mr. BONEV** (United Nations Development Programme) said that, at its annual session in June 1998, the Executive Board of UNDP, seriously concerned at the decline in its resources, had set a target of $1.1 billion for its annual core resources and had decided to introduce multi-year pledging in order to provide a more stable and predictable resource basis. Unfortunately, total core resources pledged in the first year of the scheme totalled only around $740 million, more than 30 per cent below target.

72. The past decade had witnessed unprecedented structural, political and economic changes. Globalization had become a condition for survival. Donor perceptions had changed, as had the forms of technical cooperation. Like all organizations in the United Nations system, UNDP and UNIDO had undergone impressive reforms, which were still continuing. UNIDO's approach, involving integrated technical cooperation programmes and coordination with all actors at the country level, was commendable and should be developed further.

73. It was in such a spirit of innovation that the Director-General of the United Nations Educational, Scientific and Cultural Organization, at the March 1998 session of the Administrative Committee on Coordination (ACC), had presented a proposal concerning a new partnership between UNDP and the specialized agencies. UNDP had followed up that proposal with several informal consultations with major specialized agencies and it had been agreed to implement the new partnerships initiative initially in four or five pilot countries. UNIDO had been an active partner in all those proceedings.

74. The initiative had emerged as a response to changes in the international framework of development cooperation and the Secretary-General's proposals for reform in the United Nations system. It reflected a new way of collaboration between UNDP and the specialized agencies. The traditional roles of UNDP as a central provider of funds and the specialized agencies as providers of know-how and programme design were giving way to a paradigm where each partner contributed both ideas and funding for joint programmes. It was expected that, with each partner focusing its efforts where it had maximum comparative advantage, the new initiative would be a way of achieving programme coherence and mobilizing greater financial resources. The main objectives of the initiative were to strengthen mutual confidence and understanding between UNDP and the specialized agencies through annual consultations and improved information exchange; to work together more effectively in support of national development priorities and Member States' goals through joint strategies, research and resource mobilization; to improve management and achieve economies of scale through pooling of networks and human resources; and to review existing tools.

75. One of the most important newly developed mechanisms for bringing operational entities and agencies together at the country level was the United Nations Development Assistance Framework (UNDAF) process. The UNDAF pilot phase had now been completed and assessed, and corrective measures were being introduced. UNDP was highly appreciative of UNIDO's active participation in the pilot exercise and its renewed commitment to the process. The common country assessment, an integral component of UNDAF, relied on the close collaboration of all United Nations development partners. UNDP counted on UNIDO's full participation. Their joint and complementary efforts were essential in the implementation of the action plans adopted at recent international summits and conferences.

76. A high priority for UNDP was eradication of poverty through sustainable human development. UNIDO, as the leading agency in promoting sustainable industrial development, would continue to be a major partner of UNDP in that difficult task.

FIELD REPRESENTATION (IDB.21/19)

77. **Mr. ALPMAN** (Turkey) said that an agreement had been signed between Turkey and the Organization regarding the conversion of the UNIDO Office in Ankara to a centre for regional cooperation. With UNIDO's support, Turkey would thus assist countries in the region in implementing technical cooperation projects. Positive responses had already been received from a number of potential partner countries contacted. Existing UNIDO projects in those countries would be outside the scope of the scheme, which would apply only to UNIDO projects supported financially or otherwise by Turkey. Projects would be implemented under the supervision of Headquarters, in coordination with the authorities in the countries concerned. That procedure would prevent duplication and would make for synergies with UNIDO's integrated programmes for the region.

78. **Mr. IKEDA** (Japan) said that his delegation appreciated the analysis and recommendations contained in document IDB.21/17 on the financing of the integrated technical cooperation programmes in developing countries. Japan shared the view that it was important for UNIDO to seek to increase Member States' voluntary contributions, particularly for the integrated programmes, and it supported the Director-General's proposal that recipient countries be urged to contribute to project funding as an indication of their ownership in the jointly pursued activities. Such contributions should be based on the recipient country's level of development and be subject to a minimum of 10 per cent of programme costs. His Government also supported the Director-General's

proposals concerning the enhancement of South-South cooperation and stronger substantive dialogue with Member States in regard to project formulation. Major donor countries, particularly those which had not made substantial contributions in recent years, should support UNIDO's activities by endeavouring to increase their contributions as much as possible. In his delegation's view, the proposed target of $70 million for future voluntary contributions could be reduced through more effective project implementation.

79. On the issue of field representation, the Japanese delegation believed that, in order for UNIDO to operate more efficiently, further responsibilities should be progressively delegated to the field offices. Financial support from host countries for field representation was necessary. In particular, in the case of countries that had not made voluntary contributions, there was a need for the structure of the field offices to be reviewed.

PERFORMANCE INDICATORS AND EVALUATION (IDB.21/24)

80. **The PRESIDENT** said that there were no speakers on the agenda item.

ADMINISTRATIVE MATTERS (IDB.21/16; IDB.21/CRP.2)

81. **Mr. ORTIZ** (Spain) said that the important issue of women's representation in the Secretariat should not pass without comment. According to document IDB.21/16, there had been a serious depletion of the pool of women available for selection to more senior managerial posts. It was regrettable that there was such a lack of female candidates.

82. **Mr. MAGARIÑOS** (Director-General) said that, since the preparation of that document, 12 advertised posts had attracted some 3,500 applications, many of them from women. That would result in an expansion of the pool of available women candidates.

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.21/25, IDB.21/28 and Add.1; IDB.21/L.6 and IDB.21/L.7)

83. **The PRESIDENT** said that the Bureau had reviewed the applications of eight non-governmental organizations for consultative status with UNIDO and one intergovernmental organization wishing to enter into a relationship agreement with UNIDO. The Bureau had agreed that all the applications should be accepted. On behalf of the Bureau, he was therefore submitting the two draft decisions contained in documents IDB.21/L.6 and IDB.21/L.7.

84. *The draft decisions were adopted.*

PREPARATIONS FOR THE EIGHTH SESSION OF THE GENERAL CONFERENCE (IDB.21/22)

85. **Mr. LAZYKIN** (Russian Federation) suggested that item 17 of the provisional agenda, "The regional dimension", should also include a sub-item on Europe and the Commonwealth of Independent States.

86. He would also like to receive more information from the Secretariat on item 9 concerning the forum on industrial development.

87. **Mr. MAGARIÑOS** (Director-General) said that the forum would be similar to the one held in May 1998, at which it had been possible to discuss problems relating to industrial development and engage in dialogue with academics, private-sector representatives and economists. That event had been considered a success. The discussions during the forum to be held at the next General Conference session would be confined to topics covered by the service modules. Further details, an agenda and a list of specific subjects would be distributed shortly to Member States for examination.

88. **Mr. BENMOUSSA** (Morocco) said that he wished to propose that, during the General Conference session, a special informal meeting be held at which the Secretariat could make Member States aware of the problems caused by arrears, which now totalled over $128 million, and explain the recommendations put forward by the open-ended discussion group on timely payment of assessed contributions. It was a matter of concern that 67 countries, over a third of UNIDO's membership, many of them in Africa, were deprived of their voting rights. Their non-payment was not due solely to bureaucratic factors or to a lack of good will, but was a reflection of the critical economic situation or vulnerability of those countries. There was a growing view that technical cooperation for countries in arrears should be reduced. The problem needed to be tackled firmly by Member States and the Secretariat. Member States should be made to understand what they could gain by paying on time and lose by not doing so.

The meeting rose at 6.20 p.m.

Distr.
GENERAL

IDB.21/SR.4
10 August 1999

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-first session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 25 June 1999, at 3 p.m.

President: Mr. REGUIEG (Algeria)

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Distr.: 20 August 1999

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The meeting was called to order at 3.15 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.21/L.2-L.5 and L.8-L.16)

1. **The PRESIDENT** said that a number of draft decisions, most of which had been discussed in informal consultations under the chairmanship of Mr. Yakis (Turkey), were before the Board.

2. **Mr. YAKIS** (Turkey), speaking as chairman of the informal consultations, said that the draft decisions before the Board on items 4, 5, 6 and 9 were the work of only two meetings, both of which had been characterized by flexibility and a spirit of compromise.

3. **The PRESIDENT** said that he was submitting the draft decisions approved in the informal consultations as drafts of the President.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1998 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.21/10, IDB.21/11, IDB.21/12)

4. **The PRESIDENT** said that no draft decision had been submitted under the item. He proposed that the Board should take note of the documentation provided by the Secretariat on the subject.

5. *It was so decided.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.21/14)

(a) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (*continued*) (IDB.21/9, IDB.21/11, IDB.21/12)

(c) MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003 (*continued*) (IDB.21/13; IDB.21/CRP.7)

(h) COST-SHARING ISSUES WITH VIC-BASED ORGANIZATIONS (*continued*) (IDB.21/5)

6. **The PRESIDENT** said that no draft decisions had been submitted under sub-items (a), (c) and (h). He proposed that the Board should take note of the documentation provided by the Secretariat.

7. *It was so decided.*

(b) PROGRAMME AND BUDGETS, 2000-2001 (*continued*) (IDB.21/7; IDB.21/CRP.6; IDB.21/L.10)

8. **The PRESIDENT** drew attention to draft decision IDB.21/L.10.

9. **Mr. ORTIZ** (Spain), supported by **Mr. PITTALUGA FONSECA** (Uruguay), noted that table 1 in document IDB.21/CRP.6 contained a reference to a possible reduction of $52,200 in the area "PMO Language and Documentation". Spain was a firm advocate of multilingualism and strongly deplored the trend towards the exclusive use of English in international organizations. He therefore urged the Director-General to ensure that no budget reductions were applied in the area of language services.

10. **The PRESIDENT** said that the Secretariat had requested him to inform the Board that any budget reductions resulting from the adoption of draft decision IDB.21/L.10 would not affect translation and interpretation services.

11. **Mrs. QUINCY** (France) supported the representative of Spain's comments. On the understanding that the budget reductions would not adversely affect the quantity and quality of the interpretation and documentation provided or the principle of multilingualism, her delegation could confirm its support for the draft regular budget.

12. **Mr. BAN Ki-moon** (Republic of Korea), speaking on behalf of the Asian Group, said that the Group had expressed the view that the budget for the next biennium should be adopted in the form originally proposed by the Director-General. However, it understood and respected the position of the Government of Japan and believed that the achievement of consensus was also important. He commended the representative of Japan for his efforts in securing his Government's approval for the adoption of the draft regular budget.

13. **Mr. IKEDA** (Japan) said that it was the representative of the European Union who, at the session of the Programme and Budget Committee, had requested the Director-General to explore ways and means of improving the efficiency of the budget, thereby triggering the process that had culminated in the consensus reached at the current session of the Board.

14. *Draft decision IDB.21/L.10 was adopted.*

(d) SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES (*continued*) (IDB.21/3; IDB.21/L.2)

15. **The PRESIDENT** drew attention to draft decision IDB.21/L.2.

16. *The draft decision was adopted.*

(e) WORKING CAPITAL FUND FOR THE BIENNIUM 2000-2001 (*continued*) (IDB.21/2; IDB.21/L.3)

17. **The PRESIDENT** drew attention to draft decision IDB.21/L.3.

18. *The draft decision was adopted.*

(f) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (*continued*) (IDB.21/8; IDB.21/L.4)

19. **The PRESIDENT** drew attention to draft decision IDB.21/L.4.

20. *The draft decision was adopted.*

(g) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.21/4; IDB.21/L.5)

21. **The PRESIDENT** drew attention to draft decision IDB.21/L.5.

22. *The draft decision was adopted.*

(i) **PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR** (*continued*) (IDB.21/6; IDB.21/L.16)

23. **The PRESIDENT** drew attention to draft decision IDB.21/L.16 entitled "Appointment of an external auditor".

24. **Mr. BENMOUSSA** (Morocco) said that his delegation had no objection to the adoption of draft decision IDB.21/L.16. However, it wished to record its view that when the time came to appoint the next External Auditor the successful candidate must be drawn from the developing world, and preferably from the African Group.

25. **Mr. FREEMAN** (United Kingdom) said it was his delegation's view that external auditors should be chosen exclusively on the basis of their professional competence. Considerations of geographical rotation should have no bearing on the choice of candidate.

26. **Mr. BAN Ki-moon** (Republic of Korea), speaking on behalf of the Asian Group, said it was to be hoped that the spirit of cooperation and flexibility shown by Pakistan in taking the difficult decision to withdraw its candidate would serve as an example for the future.

27. **Mr. UMER** (Pakistan) said that his delegation's decision to withdraw its candidate had indeed been a difficult one. It therefore strongly resented the implication of the remarks of the representative of the United Kingdom that competence was confined to one region of the world. His delegation fully subscribed to the view that professional competence must be the sole criterion applied in choosing an External Auditor. It went without saying that neither Pakistan nor Ghana would have nominated candidates whose competence was in doubt. For too long the criterion of competence had been invoked to debar highly qualified candidates from developing countries from assuming their rightful positions in the Secretariat. It must be clearly understood that Pakistan was withdrawing its candidate, not because it regarded the German candidate as more competent than its own, but in a spirit of good will and as a supreme act of cooperation, given the very strong interest expressed by Germany in continuing with the external auditorship for a further two years.

28. **Mr. IKEDA** (Japan) said that his delegation was inclined to support the view expressed by the representative of the United Kingdom, but acknowledged that competence was determined by personal qualities rather than by geographical origin.

29. **Mr. BENMOUSSA** (Morocco) said that his earlier remarks had been made in the conviction that extremely competent candidates were to be found in the developing world. He thus entirely agreed with the representative of the United Kingdom that professional competence must be the first criterion. The hierarchy of criteria for recruitment within any staff area in the common system comprised, first, competence and integrity; secondly, equitable geographical distribution; and thirdly, gender balance. Ghana and Pakistan had withdrawn their candidates, not because their candidates were less competent, but in the overriding interests of the Organization. Furthermore, if the African Group's candidate was competent to act as a United Nations auditor, it was hard to see why he should not be competent to act as auditor of one of its agencies.

30. More important still, while competence was not geographically determined, still less was it the monopoly of one geographical region. The words "less developed" were applicable to countries, but not to people. The constructive spirit shown by Ghana and Pakistan in withdrawing their candidates deserved to be recognized at its true worth.

31. **Ms. AGGREY-ORLEANS** (Ghana) said that her delegation was very happy to support the draft decision contained in document IDB.21/L.16. That being said, competence and merit were taken for granted: no one would seek to appoint an External Auditor who was not qualified or competent. Ghana had submitted the candidature of its Auditor-General in the firm conviction that he had the qualifications, skill and experience needed to discharge his functions with distinction. It had withdrawn his candidature in a spirit of compromise and accommodation and in the wider interest of the Organization. It hoped that spirit of flexibility would continue to characterize all the Board's future actions, and thus supported the statements made by the representatives of Morocco, the Republic of Korea and Pakistan.

32. **Ms. REDDY** (India), speaking on behalf of the Group of 77 and China, said that at the start of the session the Group of 77 had expressed the hope that the next auditor would be a candidate from the developing world. It thus supported the statements made by the representatives of Pakistan, Ghana, Morocco and the Republic of Korea, and expressed the hope that the next time the Board came to select an external auditor the same spirit of cooperation, flexibility and consensus would prevail as had been demonstrated at the present session, without prejudice to the criteria of merit and competence.

33. **Mr. NUR** (Sudan), having congratulated the German delegation on the reappointment of its candidate and commended the delegations of Pakistan and Ghana for the

spirit of cooperation and flexibility they had shown, said that the fact that the Board had extended the current auditor's appointment made the previous speakers' remarks concerning future candidates all the more pertinent.

34. **Mr. BOJANG** (Observer for Gambia) said that, as agreement had already been reached on a candidate for the post of External Auditor, any discussion on subsidiary aspects of the question should be closed.

35. **Mr. ORTIZ** (Spain) said that, like Pakistan and Ghana, whose flexibility he appreciated, Spain had withdrawn its candidate for the post of External Auditor. He was convinced that all the candidates presented were of the highest competence and that the Board would in future years continue to appoint persons of the highest qualifications for that office.

36. **Mr. HAMEDANI** (Islamic Republic of Iran) said that he supported the adoption of the draft decision under discussion and concurred with the statement made by India on behalf of the Group of 77 and China.

37. *The draft decision was adopted.*

38. **Mr. BORCHARD** (Germany) said that he was grateful to the representatives of Ghana, Pakistan and Spain for their flexibility in withdrawing their candidates for the post of External Auditor. In a transitional period, continuity of tenure in the office of External Auditor was important because of changes in structure, changes in the scope of financial services and reform of the accounting system, and also in order to conclude the tasks initiated by the External Auditor in the Panel of External Auditors for the United Nations, the specialized agencies and IAEA.

39. However, the External Auditor from Germany would not be applying for an extension after the biennium 2000-2001.

40. He was convinced of the quality of the candidates who had withdrawn and would report accordingly to his authorities.

(j) IMPLICATIONS OF THE EURO FOR UNIDO (*continued*) (IDB.21/29; IDB.21/L.14)

41. **The PRESIDENT** drew attention to draft decision IDB.21/L.14.

42. **Mr. BENMOUSSA** (Morocco) said that he did not object to the adoption of the draft decision, but drew attention to an error in the French translation of subparagraph (e).

43. **Mr. BORCHARD** (Germany), supported by **Mr. NUR** (Sudan), proposed that the words "to be convened on 29 November 1999" should be inserted after the words "Industrial Development Board" in the second line of subparagraph (e).

44. *It was so decided.*

45. *Draft decision IDB.21/L.14, as amended, was adopted.*

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (*continued*) (IDB.21/15, IDB.21/18 and Add. 1, IDB.21/20, IDB.21/21, IDB.21/23, IDB.21/26 and Corr.1, IDB.21/27; IDB.21/L.13)

46. **The PRESIDENT** drew attention to draft decision IDB.21/L.13 on "Implementation of the Business Plan in Latin America and the Caribbean".

47. *The draft decision was adopted.*

FINANCING OF THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES (*continued*) (IDB.21/17; IDB.21/L.11)

48. **The PRESIDENT** drew attention to draft decision IDB.21/L.11

49. *The draft decision was adopted.*

FIELD REPRESENTATION (*continued*) (IDB.21/19)

50. **The PRESIDENT** said that no draft decision had been submitted. He proposed that the Board should take note of the documentation provided by the Secretariat.

51. *It was so decided.*

PERFORMANCE INDICATORS AND EVALUATION (*continued*) (IDB.21/24)

52. **The PRESIDENT** said that no draft decision had been submitted. He proposed that the Board should take note of the documentation provided by the Secretariat.

53. *It was so decided.*

ADMINISTRATIVE MATTERS (*continued*) (IDB.21/16; IDB.21/L.12, L.15)

54. **The PRESIDENT** drew attention to draft decision IDB.21/L.12 on "Personnel matters".

55. **Mr. BENMOUSSA** (Morocco) said that he had no objection to the draft decision but pointed out that paragraph 5 of Article 11 of the UNIDO Constitution, which was referred to in subparagraph (c) of the draft decision, made no reference to women. He asked why that paragraph was mentioned.

56. **Mr. AFRASIAB** (Pakistan) said that the low representation of women in the Secretariat and the consequent assurance from the Director-General that corrective measures were being initiated had been a main focus in the preparation of the draft decision. It was understood that paragraph 5 of Article 11 of the Constitution might not be very relevant to the matter covered by subparagraph (b) of the draft decision but that it was relevant to subparagraphs (d) and (e).

57. **Mr. BENMOUSSA** (Morocco) thought that excessively strict adherence to paragraph 5 of Article 11 might lead to the exclusion of women. Gender was a new issue in the United Nations system and had to be taken into account.

58. **Mrs. QUINCY** (France) said that there was no incompatibility between subparagraphs (b) and (c) of the draft decision. She was sure that the Director-General would take account of the criteria set out in paragraph 5 of Article 11 when recruiting women.

59. *The draft decision was adopted.*

60. **The PRESIDENT** drew attention to draft decision IDB.21/L.15, entitled "Administrative matters".

61. **Mr. AGUILAR** (Secretary of the Board) said that Mr. Almeida (Brazil) had now been nominated by the Latin American and Caribbean Group as a alternate member of the UNIDO Staff Pension Committee for the biennium 2000-2001 and that his name would be included in the draft decision. He had been informed that the countries in list D would provide the name of the alternate member nominated by their group at the General Conference session.

62. *On that understanding, draft decision IDB.21/L.15 was adopted.*

PREPARATIONS FOR THE EIGHTH SESSION OF THE GENERAL CONFERENCE (*continued*) (IDB.21/22; IDB.21/L.8)

63. **The PRESIDENT** drew attention to draft decision IDB.21/L.8.

64. *The draft decision was adopted.*

PROVISIONAL AGENDA AND DATE OF THE TWENTY-SECOND SESSION (IDB.21/CRP.3; IDB.21/L.9)

65. **The PRESIDENT** drew attention to draft decision IDB.21/L.9.

66. **Mr. NUR** (Sudan) proposed that a new item on the financing of technical cooperation should be included in the draft agenda.

67. **The PRESIDENT** suggested that that topic should be added as new agenda item 4.

68. *It was so decided.*

69. *Draft decision IDB.21/L.9, as amended, was adopted.*

ADOPTION OF THE REPORT (IDB.21/L.1)

70. **Mrs. KLEIN BALLESTEROS** (Colombia), Rapporteur, introducing document IDB.21/L.1, said that it merely represented the framework of the report. The final version would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session.

71. **The PRESIDENT** said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

72. *It was so decided.*

CLOSURE OF THE SESSION

73. **Mr. MAGARIÑOS** (Director-General) said that he greatly appreciated the efforts to achieve consensus on the complex issues on the Board's agenda, including the budget, that had been made by the officers and members

of the Board, in particular by the representative of Japan and the regional groups.

74. Thanks to the hard work of the Secretariat and the constructive spirit that had prevailed, in only 18 months the whole Business Plan had been implemented. However, a great deal more time was needed to decentralize the Organization and strengthen its field activities. It was planned to set up the five further regional offices already approved, and later expand the number to ten, as well as to set up others on a cost-sharing basis. In that connection he welcomed the discussions that were going on with the Governments of Morocco, Tunisia and other countries.

75. Another challenge before the Organization was to change the structure of voluntary contributions to fund UNIDO's technical cooperation programme and to increase them. Document IDB.21/CRP.7 analysed the mid-term programme for the years 2000-2003 and showed how UNIDO was embarking on larger and more numerous integrated projects, which it was hoped would have greater impact but would require an increase in voluntary contributions.

76. Between 1990 and 1998 UNIDO had received a total of $270 million in contributions from Governments, or an average of $30 million a year from the principal donor countries. However, about one third of that sum had been used to finance activities such as investment promotion services in the selfsame donor countries. Valuable as such services were, they represented indirect assistance and the funds were not available for programming technical cooperation activities in the field, on which $20 million a year were actually spent. That was why an increase in voluntary contributions was essential.

77. To encourage those contributions the Secretariat needed to provide more transparent information, such as that given in the table in annex I to document IDB.21/CRP.7. Another prerequisite was that the programmes must be effective, and that would be demonstrated at forthcoming sessions when each technical cooperation programme would be introduced by members of the Secretariat from the departments involved.

78. Political will would be needed by Member States to increase their contributions to the International Development Fund. Pledges amounting to $22 million had already been made by Austria, Belgium, Hungary, India, Japan, Luxembourg, the Netherlands and Spain, and he expressed his appreciation to the Governments of those countries.

79. He paid a tribute to Mr. Aguilar (Director and Secretary of the Governing Bodies), who was leaving to take up a post in the United Nations Peace-Keeping Mission in Kosovo, for his excellent work, which would now be continued by Ms. Orlowski.

80. **The PRESIDENT** fully endorsed the remarks of the Director-General. Now that the Member States had shown the will to preserve the Organization, they should demonstrate their determination to develop it. He urged all the Member States to support the Director-General and help him to fulfil his commitments.

81. He expressed his thanks to the Secretariat and all who had contributed to the success of the session.

The meeting rose at 5.10 p.m.

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IDB.21/SR.5
31 December 1999

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-first session

SUMMARY RECORD OF THE 5th MEETING

Held at the Austria Center Vienna,
on Monday, 29 November 1999, at 6 p.m.

President: Mr. REGUIEG (Algeria)

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V.99-91369 (E)

Distr.: 10 January 2000

The meeting was called to order at 6.30 p.m.

OPENING OF THE RESUMED TWENTY-FIRST SESSION

1. **The PRESIDENT** declared open the resumed twenty-first session of the Industrial Development Board.

2. The purpose of the resumption was to consider the conclusions of the Intersessional working group on proposed amendments to the financial regulations, with a view to submission to the General Conference, at its eighth session, for appropriate action and the adoption of a decision.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE:

(j) IMPLICATION OF THE EURO FOR UNIDO (*continued*) (IDB.21/29, IDB.21/30, IDB.21/31)

3. **Mrs. FREUDENSCHUSS-REICHL** (Austria), speaking as chairman of the intersessional working group on proposed amendments to the financial regulations, said that the Board, in its decision IDB.21/Dec.8, had extended the working group's mandate to include deliberations on all aspects relating to the possible adoption of a single-currency system of assessment based on the euro.

4. In compliance with that decision, the working group had held two meetings, on 22 October and 18 November 1999, during which the Secretariat had made presentations. In response to queries raised at the first meeting, the Secretariat had circulated a supplementary paper on 9 November 1999. There had been a wide exchange of views, both among Member States and between Member States and the Secretariat. Satisfactory information provided by the Secretariat had enabled a draft decision to be prepared on the implications of the euro for UNIDO. That decision had met with no objections by the working group. She wished to recommend that the decision be adopted by the Board without a vote.

5. **Mr. GRÖNBERG** (Finland), speaking on behalf of the European Union, together with Bulgaria, Cyprus, the Czech Republic, Hungary, Lithuania, Poland, Romania, Slovakia and Slovenia, said that, in initiating the proposal for the adoption of a single-currency system based on the euro for contributions to the regular budget, the European Union had been convinced that such a measure would be to the benefit of UNIDO and would not have negative effects on the current situation of its Member States. That view had been borne out by the extensive discussions held in the working group. Euro-budgeting would be an efficient tool for management, leading to greater transparency and efficiency, and the effects of exchange-rate fluctuations would be minimized.

6. The decision of the Director-General to invest in a new information technology system for UNIDO would enable Member States to be better informed about the situation and activities of the Organization. In support of UNIDO's implementation of the euro-budgeting system, the European Commission was willing to provide cost-free technical assistance to the Secretariat.

INTRODUCTION OF A DRAFT DECISION

7. **The PRESIDENT** drew attention to the draft decision contained in paragraph 3 of the report of the working group (IDB.21/31).

8. *The draft decision was adopted.*

ADOPTION OF THE REPORT OF THE RESUMED TWENTY-FIRST SESSION

9. **The PRESIDENT** said that it was necessary to complete the report of the session as soon as possible for presentation to the General Conference. In view of the little time available, he proposed that the report be prepared by the Rapporteur, who would finalize it, in consultation with him, for submission to the Conference.

10. *It was so decided.*

CLOSURE OF THE SESSION

11. **The PRESIDENT** declared the session closed.

The meeting rose at 6.40 p.m.